Mastellone Hermanos S.A.
Consolidated Financial Statements
for the fiscal year ended
December 31, 2013

MASTELLONE HERMANOS S.A.

ANNUAL REPORT
FISCAL YEAR 2013

(information not audited and not covered by the independent auditors' report)

To the shareholders:

We are hereby submitting for your consideration this Annual Report and Selected Information, Mastellone Hermanos S.A.'s consolidated financial statements and the Statutory Auditor's Report, all as of and for the fiscal year ended December 31, 2013.

We are thus entering the 85º year of operations since our organization in 1929. Throughout these years, we have been engaged in the same line of business, always under the same controlling group and located at the same place, keeping the same basic commitments to our customers, i.e., the quality and the growth. During more than sixty years we have been under the leadership of Mr. Pascual Mastellone, president since 1953, who due to health reasons had to temporarily leave office in 2013. We hope he will be returning to its duties as usual.

1. MACROECONOMIC ASPECTS

During 2013, economy in the world showed in general terms a positive trend in respect of previous years. The most recent estimations which are currently available (International Monetary Fund – World Economic Outlook, October, 2013) show a growth of the world gross product of 2.9% which, though less than those estimated a year before, shows a reasonably positive behaviour. Same sources also expect a greater growth for 2014, of 3.6%. Developing countries' economies have shown and they are expected to continue showing an increased growth in respect of the general average. They expect a growth of the product of 4.5% and 5.1% for 2013 and 2014, respectively. Although there still exist many problems of several kind, and the fact that there can be no assurance that the gross product will effectively grow, it does not affect a positive global condition.

There were no major changes in the financial condition during 2013 with respect to the previous scenario. The international rate of interest remained at a level close to zero, which is effectively reflected in the economy as a greater growth of the developing economies. Unfortunately, Argentina does not participate in the international markets, which prevents it to benefit from the positive conditions in order to fund its domestic needs.

This positive context in the general macroeconomic scenario partly reflects the effect of several incentives granted by the major economies with an intention to solve the severe financial difficulties existing in 2007 and 2008. Given such improvement of the general conditions, said incentives have been reduced during the last months, and they may disappear in the future. This adjustment has generated certain tensions, in particular in developing economies, which still remain at the time this annual report is issued and may exist during certain time in the future, incorporating certain degree of risk in the global situation.

Argentine economy had already shown a negative change in trend during 2012. The trend in 2013 was similar. As regards evolution of the level of activity (of which there is no final statistics for 2013 yet) there was a lesser growth than in previous years. Foreign trade remained posting a surplus. Trade balance was positive at US$12.4 billion in 2012 and US$9.0 billion in 2013 (a 27% decrease). However, a substantial reduction in the level of international reserves at the Central Bank of the Argentine Republic could not be avoided.

In general, any such problems previously mentioned still exist, such as limitations on the access to long-term financing (which in turn materially limit the investments for private sector growth), a high (and increasing) tax pressure, and foreign exchange restrictions. These difficulties have a material adverse effect on companies, since they in fact adversely affect its competitiveness in international markets (thus adversely affecting the entire economy) and to reach economic goals in line with their efforts.

Thus, important challenges shall be faced in 2014 in order to keep the growth trend in our level of activity and the improvement of our economic results.

2. THE DAIRY INDUSTRY – INTERNATIONAL OVERVIEW

2.1. Changes in 2013

As mentioned in our annual report for fiscal year 2012, after having seen a sharp decline (at certain times of up to 25%) in international prices of dairy commodities for said year, we expected a slight recovery for 2013. Actual developments exceeded our expectations, and prices increased more than expected, according to the following table:

International Prices - Whole Powdered Milk

Year	High	Low	Average
2011	4.650	3.425	3.878
2012	3.638	2.750	3.229
2013	5.600	3.325	4.713
Change			
2012 v 2011	-21,8%	-19,7%	-16,7%
2013 v 2012	54,0%	20,9%	45,9%

- Note: Average United States Dollar prices per ton for FOB Oceania export.
- Source: United States Department of Agriculture ("USDA")

There are many reasons on which this price behavior is based, but it mainly results from a combination of an increased world demand (basically from China) and the decrease of the production activity of the main exporting countries (New Zealand and the EU) and a low level of inventories in the industry, which was directly passed on to FOB prices.

Following, there is a brief analysis of offer and demand behavior during the last years.

Offer:

According to world production, consumption and foreign trade statistics made by the USDA, the main exporting countries, i.e. Argentina, Australia, European Union, New Zealand and the United States of America (representing more than 90% of the international dairy product offer) increased their sales to foreign countries, by 6.0% in 2010, 8.4% in 2011 and 8.1% in 2012 –more than 24% accumulated in just three years. Given the volume so increased in foreign sales, an over demand was nearly expected at some point as well as a decline of the prices –as it has in fact been the case since the end of 2011.

On the other hand, foreign sales by said countries only grew 1.8% in 2013. Again, due to a high demand, prices were expected to substantially increase, as it was the case during the year.

Demand:

While in 2009 total powdered milk imports by China were at a level comparable to purchases by Mexico or Algeria (250 thousand tons per year), Chinese imports grew a record 850 thousand tons in 2013, thus playing an essential role in the international market of dairy products, and such imports are expected to be higher during 2014, which would amount to a percentage of nearly 23% of the aggregate amount of powdered milk sold on an international basis. At the same time, the improvement of macroeconomic world conditions also helped to defend demand, in particular in developing countries. These have undoubtedly been the main reasons which prevented world prices from collapsing in 2012, after a 24% increase of the offer in three years, and so that, after that, in 2013 the additional Chinese demand plus a production stagnation in the main exporting countries resulted in a new level of prices reaching almost a historic record.

2.2. Perspectives

There shall be no substantial changes between offer and demand until at least the second half of 2014, when the normalization of stocks and a higher seasonal offer in the Southern hemisphere shall begin to generate a change of the conditions, resulting in a decline of the prices to return to a long-term balanced level –probably about US$4,000 per ton of whole powdered milk, although Chinese demand will remain a key factor in the determination of international prices.

We understand that the main principles of the dairy world market (a demand in excess of the offer) shall be kept in the long term, and thus a scenario of steady prices for exporting countries may be expected, though still affected by the high volatility in international prices which is typical of this market. Direct and indirect participants in the industry should therefore take note of and incorporate these conditions when planning their businesses.

3. THE ARGENTINE DAIRY INDUSTRY

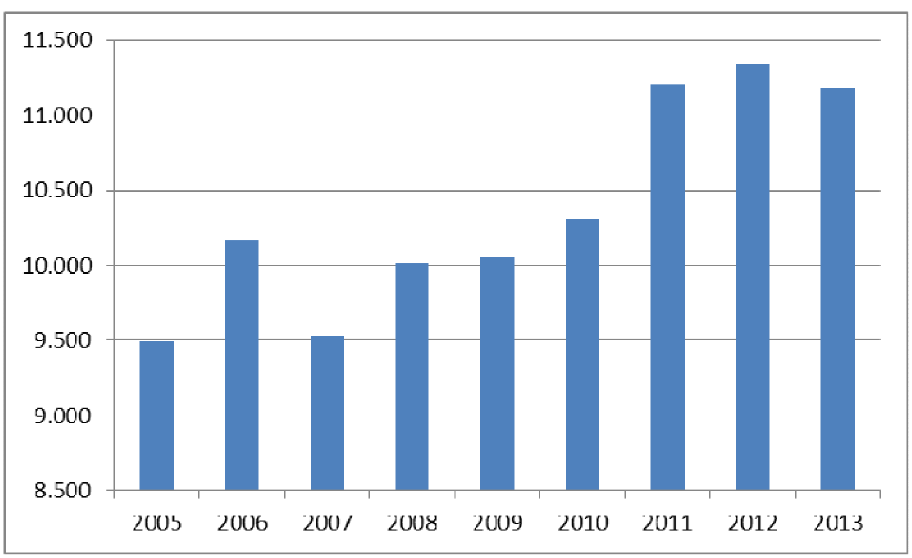
During 2012, Argentine milk production practically remained at the same level than in 2011, mainly –but not totally- due to the adverse weather conditions (dry and rainy months alternatively). We then expected a trend change since middle 2013, upon which a total production for the year slightly lower than that of 2012 was expected, but increasing during the last months over the previous year.

Actual developments of 2013 confirm our estimations. Although there are no final statistics on domestic production for the whole year, estimations show a decrease of 1.7% as compared to 2012. Our direct purchases from producers –which in general follow the trend of the total Argentine production- showed a comparable decrease for all the year with a 6% reduction during the first six-month period, and with an increase of about 3% not until the fourth quarter. The trend change then occurred at the end (offset by the high temperatures of December) and not in middle of the year, as it was originally estimated by us.

Considering the total production development, a stagnant production can be noted for the last three years (2011 through 2013), as it is reflected in the following chart:

Milk Production

(millions of liters)



Source: Argentine Agricultural Secretary, *Centro de la Industria Lechera* [Dairy Industry Federation of Argentina]

From now on, although the international context is positive for the main dairy commodities exporting countries, including, without limitation, Argentina, some distortions exist in respect of relative prices and changes in the costs of production which may adversely affect the results. We believe that all participants in the value chain of milk will together find a mechanism which may allow us to benefit from the general scenario advantages so that the growth of the dairy industry may be sustained, and thus avoiding entering again in the typical pendular stop and go processes which took place in the industry in the last decades. We hope that the current level of production, more than eleven billion of liters per year, will be the base for a sustained growth of the industry, which mostly shall be reflected as an increase in export sales.

4. SALES

4..1 Introduction

Our consolidated total sales for the year 2013 amounted to $9,487 million, an increase of $1,938 million, or 25.7%, as compared to the sales for the year 2012. Expressed in Dollars (applying to each quarter sales the exchange rate published by the Banco de la Nación Argentina the last business day of each period) are equivalent to US$1,661 million. Our sales may be divided into four segments: Argentine domestic market, Brazilian domestic market, exports and other sales (basically services). The following table shows each segment share:

	2011	2012	2013
Domestic market – Argentina	82,8%	85,0%	84,6%
Domestic market – Brazil	7,9%	6,1%	6,4%
Exports	6,3%	5,8%	6,7%
Other	3,0%	3,1%	2,3%
Total	**100,0%**	**100,0%**	**100,0%**

4.2 Domestic Market

4.2.1. Argentina

(i) General

There is no final estimations yet in connection with the total consumption of dairy products *per capita* in Argentina for 2013. In general, such consumption would seem to have remained stable at a level of 207 liters per capita per year –expressed in terms of liters of milk equivalent in dairy products consumed during the year. Our market share in the whole consumer market has remained stable.

(ii) Physical Volumes Sold

a) Retail Market

The following table shows the change in our sales expressed in physical volumes (for comparative purposes and calculations, physical volumes delivered to the retail market valued at retail level prices for late 2011) during the last three fiscal years. As it can be noted, although in 2013 a slight reduction of the deliveries to the market took place, the growth shown during such three-year period in all segments reflects a growth which exceeded the country average (higher market share).

Change in (physical) sales per segment

Segment	2011	2012	2013	Acum.
Milk	1,3%	4,7%	-0,9%	5,1%
Cheese	24,2%	17,7%	-1,1%	44,5%
Other	6,6%	3,6%	0,2%	10,6%
Total	7,9%	8,1%	-0,8%	15,8%

Notes:

- Other: includes butter, cream, *dulce de leche* [caramelized condensed milk], powdered milk and mayonnaise.

Changes during 2013 have been influenced by a lower availability of milk during almost all the year (production did not recover until the last quarter of the year), limitations on the production capacity for some products (for example, certain kinds of cheeses), and a low level of sales in December, affected by several problems beyond the control of the industry (robberies, difficulties with the cold chain, and others).

The new levels of sales consolidated in the cheese segment after having been duplicated, in physical volume terms, during the three-year period 2009 / 2012. A lower availability of raw milk and restrictions in the production capacity were the main reasons which prevented the level of transactions in this segment from growing.

b) Sales to Governmental Agencies

Sales to Governmental Agencies decreased by $87.2 million, or 19.5%, basically due to a three-month interruption (from March to May) of purchases by the Province of Buenos Aires, which were resumed in June.

(iii) Business Strategy

Our clear leadership also requires that we continuously make efforts to preserve the difference from competing companies. This fact should affect our whole decisions, but is specially reflected in the development of new products, an advertisement directed towards consumers, the service we render to the market, basically through our distribution network, and the maintenance of the recognition of our brands.

We believe that we succeeded in our efforts during 2013:

- Developments of new products continued, directed towards increasing their added value and positive effects on consumer’s health. We consider this policy, which in fact consists in anticipating market requirements, is necessary to maintain our commercial leadership which we have obtained throughout our life and to strengthen our competitiveness. We currently have a wide product portfolio, almost one product for each final user need, and we believe that we will be able to continue with this policy in the future, with innovations intended to benefit consumers.

- As regards advertisement, special campaigns were launched in respect of a product or product family, intended to consolidate our presence in the market (especially in the cheese segment).

- An efficiently operated distribution continued. We currently have 74,000 direct customers, practically covering all retailers which sell dairy brand products.

- Finally, as regards brands, *La Serenísima* has maintained its clear leadership in the dairy segment, with a high level of recognition (see Section 10 hereof for information about recognition received in the last years).

(iv) Brazil

Our sales in Brazil are carried out through our subsidiary Leitesol, and mainly consist in sales of powdered milk. Exports of powdered milk from Argentina to Brazil are limited due to a maximum amount fixed (applicable as from the end of the 1990s) thus creating in fact a maximum limit to the sales by Leitesol. During 2013, there were also delays in the issuances of the licenses needed under such system –which had a further adverse effect on the level of transactions.

Leitesol's sales amounted to US$108.8 million in 2013 (2012: US$99.3 million). Such difference is based on (i) lower physical volumes (a 6.4% lower in the case of the powdered milk, principally due to the restrictions mentioned above), and (ii) increased average prices (since Leitesol's higher costs were passed on to prices due to the increase of international prices).

Leitesol has 3,600 customers in Brazil and reaches 17,000 points of sale, principally in the Northwestern area, which is the main consumer of powdered milk. Leitesol has a 4.5% share in the total retail powdered milk market in Brazil and 5.2% share in the Northwestern area.

(v) Paraguay

We started commercial activities in Paraguay during 2012, following the same business model implemented in Brazil. A series of measures aimed at reaching a better efficiency in the marketing of our products within the country is under analysis and implementation.

(vi) Exports to Third Parties

Exports to third parties amounted to US$ 109 million in 2013, a 30.9% lower than during the year 2012. In spite of the good level of international prices of powdered milk, we could not maintain the level of exports registered in the previous year, principally because of the decrease of the exportable balances due to a decrease of milk domestic production. However, during the last month of the year we received certain foreign customer advances on account of exports which could not be executed during the fiscal year, for which reason such decrease would have been lower. These transactions were undertaken during the first months of the following fiscal year.

As mentioned in paragraph 2.2 above, we expect for next year that international demand shall remain stable at least during the first six-month period, and consider that a change may occur at the end of the year when there is a higher level of milk production, and therefore, higher exportable balances appear. We estimate that our exports will show a slight increase as compared to those of 2013, though at slightly lower price levels.

5. MANUFACTURING

Production processed at our facilities, after reaching a historic record in 2012, showed a 2.8% drop in 2013, in line with the lower milk production. As in 2012, both market demand and the usual quality of our products were duly satisfied. All actions related to the launching of new products were successfully completed within the time periods set forth in each case.

We evaluate the need of making investments in property, plant and equipment to make our operations grow taking into account trend changes in the milk production and our own financial restrictions. Thus, an increase of the cheese production capacity through investments made for such purpose at Villa Mercedes facilities was given priority, which investment is now outstanding and the use of which will be gradually increased. At the same time, and in order to make certain investments necessary for our growth as soon as possible, certain actions were taken in order to obtain specific financing for such purpose.

6. SUBSIDIARIES

In May, 2013, we purchased 99.99% of the capital stock of Compañía Puntana de Carnes Elaboradas S.A. (“COPUCE”), a company engaged in the manufacturing and sale of balanced food and dairy products, located in Villa Mercedes (Province of San Luis) city. The acquired company is under certain industrial promotion regimes for carrying on its activities.

The price of such acquisition was equal to US$5 million, payable as follows: (i) 25% on the closing date, and (ii) the balance in four annual consecutive installments, the first three of them of 20% of the price and the remaining installment of 15% of the price, due on May 21st, 2014 through 2017. We recorded a gain arising from this transaction of $35.2 million, due to the excess of our interest in the net fair value of COPUCE’s identifiable and related assets and assumed liabilities in respect of the purchase price.

After this purchase certain investments were made in the acquired company, in order to increase cheese production global capacity.

We expect that this new subsidiary together with Mastellone San Luis will have a substantial role in the project for the development of a milk producing region in the Province of San Luis, as another step to the growth of the dairy industry.

7. HUMAN RESOURCES

7.1. General

The following table sets forth our total number of employees for the last four years.

	Number of Employees in		
Year	Argentina	Brazil	Total
2013	4.519	109	4.628
2012	4.473	120	4.593
2011	4.237	118	4.355
2010	3.982	116	4.098

The compensations paid to employees in general and to senior managers and officers in particular were fixed in accordance with the agreements made with the unions representing them and varying according to market practices and amounts, respectively.

7.2. Training

We continued making significant investments in training our employees during 2013. An aggregate of 790 courses were offered at our facilities, with an attendance of 6,400 participants (which implies that in the average each employee attended 1.4 courses), employing a total of 54,900 man hours. This training was implemented taking into account our specific needs, and focused on the personnel capacities to perform their different duties.

In 2013, 17 employees graduated with an IAE master (Business School within the Austral University). These employees were selected among those having the best development potential within our company, and who render services in all our departments.

We expect to remain active in this respect, now focusing on the development of middle management. For such purpose, we expect to offer courses at CEMA University. Our Training Department will organize certain courses to be taken at our offices, aimed at knowing new technologies and solving operating problems.

8. CORPORATE SOCIAL RESPONSIBILITY

Our policy has always been to work responsibly, at a level that will ensure that we give an integrally proper treatment to all people and entities that we are in contact with, by means of an internal organization that is aware of this goal and monitored by a group of officers and high-ranking managers who are committed to this purpose. Also, our activities are developed in conditions such that the long-term sustainability of this policy may be ensured.

This policy has led us to develop multiple activities throughout the Company's structure, which are described in our first Sustainability Report, for fiscal year 2012. This report was subject to a limited review by external auditors and is available at our corporate website (www.mastellone.com.ar). Included in this report is not only Mastellone Hnos. S.A., but also its subsidiaries ConSer S.A., Leitesol Industria e Comercio S.A., Marca 5 Asesores de Seguros S.A., Mastellone San Luis S.A. and Promas S.A.

Our actions in relation to our corporate social responsibility are wide ranging, go beyond our own organization and extend virtually to all our activities. In fact, these actions converge to create a management system endowed with an integral vision, and encompass a number of key subjects, to be noted among them:

- A well-informed ethical behavior that determines the basis for a style of management and ensures an adequate respect for human rights, and extends as far as possible to all our commercial partners (suppliers, customers, etc.).
- Transparency in management and good corporate governance.
- A responsible behavior towards the community, our employees and interest groups.
- A respectful and careful attitude to the environment.

Some remarks about these key subjects are set forth below:

Ethical Behavior:

Our behavior is based on historical guidelines that have always oriented our actions, and is set forth in an ethics code (which may be consulted in our corporate website mentioned above) that encompasses all our employees (including those of our subsidiaries). Also, in pursuit of a continuous social improvement, we intend to disseminate these guidelines to our suppliers and customers.

Transparency in Management and Good Corporate Governance:

To ensure transparency in corporate management and respect for our customers, suppliers, financial entities, investors from the general public and any persons or economic units that we may interact with, we have adopted a code of corporate governance that reflects the best current practices in this field.

Respectful and Careful Attitude to the Environment:

Our responsibility as regards environmental issues also arises from the above mentioned codes of ethics and corporate governance, and is expressed through multiple actions that may be grouped, for purposes of description, in six key areas:

- Solid wastes
- Water resources
- Liquid effluents
- Emissions into the atmosphere
- Efficient use of energy

- Environmental awareness

Solid wastes:

Solid wastes are classified on the basis of their characteristics, possible treatment and applicable statutory regulations, in three groups: (i) “blue”, which are similar to household wastes, (ii) “green”, that is, recyclable wastes, and (iii) “black”, or special wastes. Our purpose is to reduce the generation and achieve a better recycling or reuse of wastes.

Certain secondary activities (maintenance, industrial services) generate special wastes, which are allocated to controlled incineration. Used oils, in particular, are transferred to companies authorized by the Provincial Sustainable Development Authority to be used as consumables in another production process. Non special wastes are also generated (i.e., wastes that are not toxic and entail no health or environmental hazards), which are recycled to the utmost possible extent or transferred to the waste recovery plants operating within CEAMSE.

Some instances of solid waste recycling are detailed below:

- Low-density (sachets) and high-density (plastic bottles) polyethylene: it is used to manufacture black plant pots and black waste bags.
- Polystyrene (plastic pots): it is used to manufacture plastic boxes for compact disks.
- Cardboard (milk packages), other plastics, aluminum paper: they are used for various purposes, such as housing construction, manufacturing of kitchen furniture, etc.

At the same time, a special effort is made to train employees in everything related to the generation, treatment and disposal of solid wastes, not only for an efficient performance of the tasks described above, but also to extend the notion of environmental responsibility.

Water Resources:

Water is a resource widely used in the milk industry, in particular for the exchange of heat in the pasteurizing process and/or to wash equipment. For this reason varied efforts are made to ensure a sustainable and responsible use of water on a qualitative and quantitative basis.

A study of water consumption and industrial production (by plants and areas) is conducted on a monthly basis for purposes of monitoring the efficient use of this resource.

Special efforts are made to optimize the use of water through its generation (for instance, in the drying process for the production of powder milk) or recycling, consequently reducing the use of the aquifer. A 30% reuse / recycling ratio had been specifically set as a goal for 2013, and a 33% ratio was achieved (which involved a 10% improvement).

Liquid Effluents:

The water used in industrial processes and washing of facilities leaves the plant with milk and cleaning material remains. Consequently, in order to avoid pollution, this water requires adequate treatment, usually through the use of wastewater lagoons. Also, each plant performs monitoring to control the organic content of liquid effluents in order to facilitate the tasks to be subsequently performed in such lagoons. As a result, in 2012 we were able to reduce the organic content of liquid effluents by 7.6% for chemical components, and 11.7% for biological components, and a similar trend was observed in 2013.

Emissions into the Atmosphere:

Emissions into the atmosphere are basically related to combustion in steam generators (boilers), which in general operate on a discontinued basis, and are used to heat up water that will be used to wash equipment. Each of our industrial plants complies with a monitoring plan according to the requirements established by competent controlling authorities.

We have incorporated to our new industrial complex in General Rodriguez (our main manufacturing plant) a new steam generator of a technology that reduces not only fuel consumption, but also the temperature of chimney gases and formation of NOx (this is one of the gases responsible for climate change). Also, emissions from certain processes such as milk drying and fluid milk packaging are monitored. Such controls are in line with the requirements established by the Provincial Sustainable Development Authority (OPDS, by its Spanish initials) in the framework of our compliance with the "Permit for the Discharge of Gas Effluents into the Atmosphere" that we have been granted.

Efficient use of energy:

Our actions in this respect include:

- Regular monitoring of power consumption by industrial operating area, and an analysis of any departures for correction.
- Actions aimed at reducing consumption: by means of certain investments (change of luminaries), for instance, a significant (77%) reduction was achieved in power consumption for lighting purposes.
- Promotion, through training discussions addressed to all employees and our in-company dissemination journal, of the adoption of sustainable habits that lead to an efficient use of power resources.

Environmental awareness:

No goal involving environmental protection and improvement may be attained in the absence of an adequate training of all employees involved. Neither may those goals be achieved if such training does not somehow lead employees to apply similar criteria in their personal lives.

For this reason, we provide ongoing training to all our employees in order to promote environmental awareness, conveying the knowledge and skills that are required for activities to be carried out with the smallest possible impact on the environment. Also, with our suppliers, by involving them in all those matters that will enable them to reduce the impact resulting from their activities.

Among the actions developed by MHSA in pursuit of its environmental goals, the following may be mentioned:

- Implementation of codes of ethics and corporate governance, and quality, environmental and corporate social responsibility policies.

- Implementation of IRAM-ISO 14.001:2004 Voluntary Standard.

- Certification of the Company as a "Smoke Free Workplace".

- Adherence to the Global Compact: We have voluntarily adhered to this global initiative for the creation of a working framework that will promote sustainable development through the adoption – as an integral part of our strategy and operations – of 10 principles of action in relation to: Human Rights, Labor, Environment and Fight against Corruption. Thus, we have assumed a commitment to act with responsibility, promoting the development of projects or programs aimed at raising social and environmental awareness, and consequently make a contribution to the quality of life of the community as a whole.

- A campaign for post-consumption package recycling by our employees (started in 2009 and ongoing to this date). By means of this campaign, we intend to provide our employees a tool that will enable us to channel actions designed to (i) extend awareness in relation to the need to change our habits (in this case, "set aside some wastes to avoid their use as landfill and make recycling possible"), (ii) reduce the volume of urban solid wastes, and (iii) reduce the use of natural resources (virgin materials) through recycling.

- Taking part (from 2009 to the present) in a project for the recycling of plastic cups, with the involvement of employees, recycling companies and public welfare entities.

- A gift of recyclable waste to educational or public welfare entities in 2013, to assist them in their fundraising with the proceeds of the sale of such wastes in order to meet specific needs (Canals and Leubucó plants).

- A gift of powder milk to public food kitchens in 2013, through cooperatives that provide recyclable waste collection services (Albariños Warehouse).

- Awareness raising campaign – in 2013 – on a rational use of energy and natural resources, by implementing various actions aimed at raising awareness and thus reducing consumption of electric power, water and printing paper (General Rodríguez and other Plants in the provinces).

- Joint actions or promotion of joint actions with the Municipality of General Rodríguez in 2013 (celebration of the World Environment Day, gifts of trees, talks, lectures, etc.).

9. CORPORATE GOVERNANCE

Our Code of Corporate Governance and our answers to the questionnaire established by General Resolution 606/12 of the Argentine Securities Commission are attached as an Annex to this annual report. Mr. Pascual Mastellone ceased to perform his executive duties and left his position as president of the Company, which he had filled since its creation in 2013, due to health reasons. A shareholders' meeting held on December 20, 2013 appointed Mr. José Moreno – formerly first Vice President of the Company – as president, and Mr. Antonino Mastellone as director on behalf of Class A shareholders.

Also, we wish to state that:

- We do not have in place any option plans for the remuneration of directors and managers.

- The remuneration of the Company's managers – including its subsidiaries – is established pursuant to market salaries and conditions.

- Our financial statements for fiscal year 2013 have been consolidated with the financial statements of the subsidiaries listed below:

  Compañía Puntana de Carnes Elaboradas S.A.
  Con-Ser S.A.
  Leitesol Industria e Comercio S.A.
  Marca 4 S.A.
  Marca 5 Asesores en Seguros S.A.
  Mastellone de Paraguay S.A.
  Mastellone Hnos. do Brasil Comercial e Industrial Ltda.
  Mastellone San Luis S.A.
  Promas S.A.

- Transactions with these companies have been conducted pursuant to normal market conditions, and all data on purchases, sales and balances is shown in our financial statements.

- Transactions and balances with related entities are detailed in our financial statements for fiscal year 2013.

- There are no significant contracts, other than those detailed in our financial statements for fiscal year 2013.

10. RECOGNITIONS AWARDED TO THE COMPANY

Given the size we now have, our leadership in the milk industry and the social sensitivity that characterizes our products, it is natural that we are highly visible in the economic and social scene of the countries where we do business. This has led us to be discussed – for several years now – in a number of studies on subjects of social and business interest.

Our Company received a number of recognitions in 2013, as detailed below:

Study on	Performed by	Position
Corporate reputation	Prensa Económica	4
Brand reputation	Prensa Económica	2
100 Top image companies	Apertura – SEL Consultores	5
50 Top brands	Target (Apertura) – SEL Consultores	4
Reliable brands	Reader’s Digest	1
Reputation of companies – General	Clarín – MERCO	10
Reputation of companies – Food companies	Clarín – MERCO	2
Best brands in the public’s opinion	SEL Consultores	1
Company reputation	Ámbito Financiero - CEOP	7
Brand reputation	Ámbito Financiero - CEOP	2

11. FINANCIAL ASPECTS

11.1 Sales of Assets

In June 2013 the following assets were sold to Danone Group companies:

- A milk reception facility (including tanks used for the transportation of raw milk and related assets) located in the city of Ranchos, which engages almost exclusively in the reception of raw milk for Danone Argentina´s industrial plant, at a price of Ps. 50.5 million. We gained Ps.25.9 million from this transaction – recorded in “Other gains and losses” in the fiscal year 2013.

- Our interest (0.27%) in the capital stock of Danone Argentina, at a price of Ps. 26.6 million. We obtained from this transaction a gain of Ps. 25.1 million – recorded in “Other gains and losses” in the fiscal year 2013.

- Certain brand names to be used for Danone Argentina’s products (yogurt, dairy desserts, spreadable cheese and baby food): (i) brand name *Crecer* for baby milk and food, (ii) brand name *Ser*, for fruit juice powder, and (iii) brand name *La Serenísima*, solely for the sale of the foregoing products under this trademark in Chile, Paraguay and Uruguay, for an overall consideration of Ps. 37.2 million. We gained Ps. 39.9 million from this transaction– recorded in “Other gains and losses” in the fiscal year 2013.

The full price was received in cash in 2013. None of the assets involved in these transactions were used in, or involved any part of, our core activities.

11.2 Financial Debt

The following table sets forth a summary of our financial debt as of December 31, 2013 and 2012 (amounts in millions of U.S. dollars, converted to the prevailing exchange rates at the end of each period):

	December 31	
	2013	**2012**
Debt under bonds and long-term loans		
Due 2013	--	20.0
Final maturity 2015	30.4	36.9
Final maturity 2018	140.9	148.9
Subtotal	171.3	205.8
Other debt	54.1	36.7
Total debt as Principal	225.4	242.5
Other		
Accrued interest	0.6	0.6
Price differential and bond issue expenses	--	(0.2)
Adjustment to current value	(9.7)	(16.2)
Total debt	**216.2**	**226.7**
Cash and cash equivalents	17.7	13.5
Net debt	**198.5**	**213.2**

In 2013 our debt under bonds and long-term loans was reduced by US$ 34.5 million. This decrease was due to the full repayment of the Series E Bond, which was due on June 21, 2013, for a total amount of US$ 20 million; the remaining decrease was due to the payment, as and when due, of principal amounts as stipulated under the terms of issue of such indebtedness. Principal maturities for 2014 amount to US$ 20.9 million. We continue to work in pursuit of optimizing the terms of such indebtedness so as to facilitate the sustainable growth of the Company's business.

Other debt mostly reflects Short term financing solely allocated to financing our Working Capital requirements.

11.3 Interest rate – Year 2014

Pursuant to the terms of our debt finally due in 2018, interest thereon accrues, in addition to its basic rate, determined pursuant to EBITDA (as defined in the relevant agreements) for the preceding year. This rate, based on the results of fiscal year 2013, will be 2.4% in 2014.

As a US$ 20 million reduction in our debt due 2015 and 2018 (in addition to agreed maturities) has not yet been implemented, during 2014 and until such time as this debt reduction is completed, the above financings are entitled to an additional annual interest rate of 1.25%.

The total interest rate that will accrue on our long-term indebtedness will be (the applicable basic rate being accumulated to the concepts described above): (i) for debt due 2015, LIBO plus 3.75% (up to 7.25%), and (ii) for debt due 2018, 12.15%.

12. RESULTS OF THE FISCAL YEAR

12.1 Summary

COMPARATIVE CONSOLIDATED RESULTS 2013 / 2012

	2013	**2012**
Revenues	9,486.8	7,548.9
Cost of sales	(6,773.1)	(5,457.8)
Gross profit	**2,713.7**	**2.091.1**
Selling expenses	(2,086.2)	(1,677.1)
General and administrative expenses	(370.2)	(264.8)
Investment income	53.8	16.5
Finance cost	(164.9)	(144.8)
Exchange differences	(340.3)	(138.4)
Other gains and losses	119.5	18.7
Loss before taxes	**(74.6)**	**(98.8)**
Income tax and alternative minimum income tax	16.8	(16.7)
Net loss for the year	**(57.8)**	**(115.5)**
Other comprehensive income, net of income tax	20.1	5.3
Total comprehensive loss for the year	**(37.8)**	**(110.2)**

Notes:

- Amounts in millions of Argentine pesos

SIGNIFICANT CHANGES IN THE FINANCIAL POSITION STATEMENT

	December 31			
	2013	**2012**	**Change**	%
Total current assets	2,002.9	1,575.0	427.9	27.2%
Total non-current assets	1,732.2	1,597.4	134.8	8.4%
Total assets	3,735.1	3,172.4	562.7	17.7%
Total current liabilities	1,897.2	1,433.6	463.6	32.3%
Total non-current liabilities	1,184.2	1,047.4	136.8	13.1%
Total liabilities	3,081.4	2,481.0	600.4	24.2%
Non-controlling interest	0.0	0.0	--	n/a
Equity	653.7	691.4	(37.7)	(5.5%)

Changes in the financial position statement reflect in part the events referred to throughout this annual report and indicate a prudent management of working capital in the course of the fiscal year.

Notes:

- Amounts in millions of Argentine pesos

12.2 Financial results

	December 31			
Concept	**2013**	**2012**	**Change**	%
Revenues	9,486.8	7,548.9	1,937.9	25.7%
Operating result	257.3	149.2	108.1	72.5%
% of revenues	2.71%	1.98%		
Net loss	(57.8)	(115.5)	57.7	-49.9%
% to revenues	(0.6%)	(1.5%)		

Notes:

- Amounts in millions of Argentine pesos

- Operating results: Defined as revenues less cost of sales, selling expenses and administrative expenses.

In spite of a significant nominal improvement of Operating results and also noting the ratio of Operating results to revenues, such improvement was not sufficient to offset the adverse effect derived from a speed-up of the Argentine peso devaluation process, which reached 32.6% as compared with the exchange rates at closing on December 31, 2012 and 2013.

12.3. Treatment of financial results

Since the financial results of the fiscal year ended on December 31, 2013 threw a $57.8 million net loss, the Board of Directors propose to shareholders to absorb it in its entirety with the special Reserve established by R.G. N ° 609/12 of the CNV, constituted as approved by the General and Extraordinary Shareholders ´Meeting held on March 26, 2013, whose balance as of December 31st, 2013, is $186.4 million.

13. OUTLOOK

In the year 2014, the company will have to face major challenges, to which we will refer later. To this end, the company has a strong competitive position, which can be summarized as follows:

- Access to an extensive network of producers of raw milk with which we have a close relationship developed with many of them for several years, providing us a stable supply of raw milk, ensuring a continuous supply of products to the market, keeping at the same time a significant level of exports.

- An industrial structure which, although requiring additional investments to enable growth, remains as one of the most important in Latin America.

- A network of efficient distribution, reaching 74,000 customers, reaching practically all retailers that sell branded dairy products in the country.

- A solid commercial position: (i) all of our sales in the domestic market correspond to families of products in which we have an important market share, (ii) our brands, and especially La Serenísima, are consistently ranked as the best in the dairy sector and among the most prestigious in the country, (iii) we have doubled in real terms our sales of cheese in Argentina (a product which concentrates around the half of the consumption of milk in Argentina), (iv) our solid commercial performance in Brazil, where our sales are limited by quotas on imports of Argentine powdered milk, and (v) especially for 2013, the existence of strong international prices acting as a buffer to eventual limitations of the domestic demand.

From the side of the challenges, the main pressures come by the cost of raw milk, wage costs and the cost of different supplies - such as packaging, energy and costs associated with the distribution.

- In the case of the cost of raw milk, the rise in the cost of production of the dairy farms, together with the upward pressure arising from international prices of powdered milk, set a scenario of pressure on prices that the company must pay to maintain (and if possible to increase), the volumes of raw milk received from different producers.

- For the remaining costs, although there is not yet an accurate assessment regarding to its possible evolution, it is highly likely that it will also represent significant extra costs.

- These higher costs may not be fully transferred to the market, given the existence of limits in the payment capacity of the consumers and the reality of a context which does not foresee for substantial increases in volumes.

- The possible effects of the devaluation of the Argentine peso (and to a lesser extent, the devaluation of the Brazilian real, currency in which are made our sales in Brazil), especially during the part of the year on which there are less exports which act as a sort of natural hedge against the impact of the depreciation of the peso.

Making a balance of strengths and challenges, and taking into account the actions that can be taken by the management, we are optimistic about the future of the company.

In addition, on the financial side we will continue working to optimize the company's capital structure, to ensure the compliance with all financial commitments (including working capital needs) and at the same time, ensure the funding required to cover the capital expenditures needed to generate sustainable growth of the company's business.

Buenos Aires, March 7, 2014

JOSÉ MORENO
President

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA

CONSOLIDATED INFORMATIVE SUMMARY
AS OF DECEMBER 31, 2013
(in thousands of Argentine pesos)

1. BRIEF COMMENT ON THE COMPANY'S ACTIVITIES (*)

The financial statements for the year ended on December 31, 2013 show a consolidation on the results of the company, with a substantial increse in our basic cash generation generation (or EBITDA), an improvement in the balance sheet and consolidation in the marketing and competitive position. The drop in availability of raw milk did not allow us to expand our level of activity in the period. Operations in the last quarter were again - in general terms - within the anticipated trends in our previous information review. Unfortunately this was not enough to show a net profit, due to the losses from exchange differences not compensated by adjustments at the value of property, plant and equipment.

2. CONSOLIDATED FINANCIAL POSITION

	2013	2012	2011
	(in thousand pesos)		
Current assets	2,002,936	1,575,010	1,460,548
Non-current assets	1,732,122	1,597,375	1,479,482
TOTAL ASSETS	**3,735,058**	**3,172,385**	**2,940,030**
Current liabilities	1,897,221	1,433,589	1,067,418
Non-current liabilities	1,184,167	1,047,379	1,070,964
TOTAL LIABILITIES	**3,081,388**	**2,480,968**	**2,138,382**
Equity attributable to owners of the Company	**653,652**	**691,407**	**801,638**
Non-controlling interests	**18**	**10**	**10**
TOTAL EQUITY	**653,670**	**691,417**	**801,648**
TOTAL LIABILITIES AND EQUITY	**3,735,058**	**3,172,385**	**2,940,030**

3. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2013	2012	2011
	(in thousand pesos)		
Operational results – income	257,308	149,189	168,814
Investment income, Finance cost and foreign exchange differences	(451,343)	(266,629)	(179,850)
Other gains and losses	119,471	18,673	4,259
Loss before taxes	**(74,564)**	**(98,767)**	**(6,777)**
Income tax and alternative minimum income tax	16,754	(16,729)	(1,446)
NET LOSS FOR THE YEAR	**(57,810)**	**(115,496)**	**(8,223)**
Other comprehensive income (loss)	**20,058**	**5,265**	**(3,776)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(37,752)**	**(110,231)**	**(11,999)**
Net loss attributable to:			
Owners of the Company	(57,813)	(115,496)	**(8,223)**
Non-controlling interests	3		
Net loss for the year	**(57,810)**	**(115,496)**	**(8,223)**
Total comprehensive loss attributable to:			
Owners of the company	(37,755)	(110,231)	(11,999)
Non-controlling interests	3		
Total comprehensive loss for the year	**(37,752)**	**(110,231)**	**(11,999)**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

	2013	2012	2011
	(in thousand pesos)		
Cash flows provided by operating activities	369,988	317,731	219,628
Cash flows used in investing activities	(117,773)	(203,264)	(139,114)
Cash flows used in financing activities	(202,998)	(112,497)	(56,320)
Cash and cash equivalents provided in the year	**49,217**	**1,970**	**24,194**

5. PRODUCTION AND SALES VOLUME (*)

	ACUMULATED SALES		
	2013	2012	2011
	(in thousand liters of milk)		
Domestic market	1,580,857	1,635,882	1,508,729
Foreign market	311,839	324,469	317,185
Total	**1,892,696**	**1,960,351**	**1,825,914**

The production volumes are similar to sales volumes due to the perishable nature of marketed products.

6. RATIOS

	2013	2012	2011
Current assets to current liabilities	1.06	1.10	1.37
Equity attributable to owners of the Company to total liabilities	0.21	0.28	0.37
Non-current assets to total assets	0.46	0.50	0.50
Loss to shareholders' equity	(0.09)	(0.15)	(0.01)

7. OUTLOOK (*)

In the year 2014, the Company will have to face major challenges, to which we will refer later. To this end, the company has a strong competitive position, which can be summarized as follows:

- Access to an extensive network of producers of raw milk with which we have a close relationship developed with many of them for several years, providing us a stable supply of raw milk, ensuring a continuous supply of products to the market, keeping at the same time a significant level of exports.

- An industrial structure which, although requiring additional investments to enable growth, remains as one of the most important in Latin America.

- A network of efficient distribution, reaching 74,000 customers, reaching practically all retailers that sell branded dairy products in the country.

- A solid commercial position: (i) all of our sales in the domestic market correspond to families of products in which we have an important market share, (ii) our brands, and especially La Serenísima, are consistently ranked as the best in the dairy sector and among the most prestigious in the country, (iii) we have doubled in real terms our sales of cheese in Argentina (a product which concentrates around the half of the consumption of milk in Argentina), (iv) our solid commercial performance in Brazil, where our sales are limited by quotas on imports of Argentine powdered milk, and (v) especially for 2013, the existence of strong international prices acting as a buffer to eventual limitations of the domestic demand.

From the side of the challenges, the main pressures come by the cost of raw milk, wage costs and the cost of different supplies - such as packaging, energy and costs associated with the distribution.

- In the case of the cost of raw milk, the rise in the cost of production of the dairy farms, together with the upward pressure arising from international prices of powdered milk, set a scenario of pressure on prices that the company must pay to maintain (and if possible to increase), the volumes of raw milk received from different producers.

- For the remaining costs, although there is not yet an accurate assessment regarding to its possible evolution, it is highly likely that it will also represent significant extra costs.

- These higher costs may not be fully transferred to the market, given the existence of limits in the payment capacity of the consumers and the reality of a context which does not foresee for substantial increases in volumes.

- The possible effects of the devaluation of the Argentine peso (and to a lesser extent, the devaluation of the Brazilian real, currency in which are made our sales in Brazil), especially during the part of the year on which there are less exports--which act as a sort of natural hedge against the impact of the depreciation of the peso.

Making a balance of strengths and challenges, and taking into account the actions that can be taken by the management, we are optimistic about the future of the company.

In addition, on the financial side we will continue working to optimize the company's capital structure, to ensure the compliance with all financial commitments (including working capital needs) and at the same time, ensure the funding required to cover the capital expenditures needed to generate sustainable growth of the company's business.

8. CALCULATION OF THE EBITDA OF THE COMPANY (*)

A calculation of EBITDA (according to its definition under the terms of the agreement of the debt refinancing of May 2010) ("Contractual $_{(1)}$ EBITDA") for the years ended December 31, 2013 and 2012 is included below. This calculation is presented only to be used as guidance by holders and any other interested parties. The calculation, which is stated in thousands of pesos, should be considered an estimate subject to adjustments and not to be an indication, either explicit or implicit, of the Contractual EBITDA amount for the future.

		2013		2012	
1	Net loss for the year	(57,810)			(115,496)
	Less:				
	Gain on disposal of property, plant and equipment	(25,902)			
	Subtotal		(83.712)		(115,496)
2	Income tax and alternative minimum income tax		(16,754)		16,729
3	Amortization				
	Amortization of intangible assets		16,214		722
4	Depreciation		123,765		107,839
	Depreciation of property, plant and equipment, and others	123,595		107,669	
	Depreciation of investment property	170		170	
5	Fixed charges		164,930		144,806
	Finance cost	164,930		144,806	
	Secured debt payments by the Company				
	Payment of dividends on preferred stock				
6			340,255		138,351
	All exchange differences	340,255		138,351	
	All the inflation adjustment				
7	Other charges which have not and will not imply a cash movement		(34,513)		
	Gain on acquisition of subsidiary	(35,194)			
	Write-off of spare parts	681			
	Total contractual EBITDA		**510,185**		**292,951**

Contractual EBITDA as of December 31, 2013, stated at the closing exchange rate, amounts to approximately US$ 78 million. Consequently, the contingent interest established in the terms of the loan contract maturing in 2018 amounts to 2.4%. Total interest rate for such debt in 2014, including the 1.25% for not having completed the mandatory reduction of debt, will be 12.15%.

(1) Contractual EBITDA may differ from the EBITDA or Adjusted EBITDA, all being measures that the Company may present in other documents and that shows additional information about its ability to pay its debt, but that do not arise from professional accounting standards. No form of EBITDA should be considered in isolation or as a substitute of other measures of financial performance or liquidity or as a substitution of measures arising from professional accounting standards. We believe that EBITDA is a measure commonly reported and widely used by investors and other interested parties in the industry as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without computing depreciation and amortization charges, among others. However, Contractual, Adjusted EBITDA or similar measures may not be comparable in all instances to other similar types of measures used by other companies

(*) Information not reviewed by the Auditors.

Buenos Aires, March 7, 2014

JOSÉ A. MORENO

Presidente

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2013
(in thousands of Argentine pesos)

	Notes	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	115,288	66,071
Other financial assets	6	20,755	23,580
Trade accounts receivable	7 and 28	796,551	698,372
Tax credits	8	65,505	37,341
Other receivables	9 and 28	40,887	25,461
Inventories	10 and 28	963,950	724,185
Total Current Assets		**2,002,936**	**1,575,010**
NON-CURRENT ASSETS			
Other financial assets	6	6,671	4,509
Tax credits	8	52,677	22,970
Other receivables	9 and 28	24,216	31,772
Deferred tax assets	19	11,633	4,253
Advances to suppliers		18,185	19,401
Property, plant and equipment, and others	11 and 28	1,555,039	1,496,573
Investment property		1,360	1,679
Goodwill		3,121	3,121
Intangible assets	12	50,581	2,870
Other assets		8,639	10,227
Total Non-Current Assets		**1,732,122**	**1,597,375**
TOTAL ASSETS		**3,735,058**	**3,172,385**
LIABILITIES			
CURRENT LIABILITIES			
Trade payable	13	941,978	810,420
Borrowings	14 and 28	457,386	344,642
Accrued salaries, wages and payroll taxes	15	263,076	170,815
Taxes payable	16	106,924	75,824
Advance from customers		110,976	22,781
Provisions	17	1,273	1,897
Other liabilities	18	15,608	7,210
Total Current Liabilities		**1,897,221**	**1,433,589**
NON-CURRENT LIABILITIES			
Trade payable		9,731	7,511
Borrowings	14 and 28	952,266	770,314
Taxes payable	16 and 28	51,498	57,156
Deferred tax liabilities	19	125,772	187,162
Provisions	17	22,444	21,030
Other liabilities	18	22,456	4,206
Total Non-Current Liabilities		**1,184,167**	**1,047,379**
TOTAL LIABILITIES		**3,081,388**	**2,480,968**
EQUITY			
Common stock		457,547	457,547
Reserves		253,918	47,444
Retained earnings – including net result for the year		(57,813)	186,416
Equity attributable to owners of the Company		**653,652**	**691,407**
Non-controlling interests		**18**	**10**
TOTAL EQUITY		**653,670**	**691,417**
TOTAL LIABILITIES AND EQUITY		**3,735,058**	**3,172,385**

The accompanying Notes are an integral part of this consolidated financial statement.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(in thousands of Argentine pesos)

	Notes	2013	2012
Revenue	20	9,486,813	7,548,871
Cost of sales	21	(6,773,082)	(5,457,779)
Gross profit		**2,713,731**	**2,091,092**
Selling expenses	22	(2,086,220)	(1,677,143)
General and administrative expenses	22	(370,203)	(264,760)
Investment income	23	53,842	16,528
Finance cost	24	(164,930)	(144,806)
Foreign exchange losses		(340,255)	(138,351)
Other gains and losses	25	119,471	18,673
Loss before taxes		**(74,564)**	**(98,767)**
Income tax and alternative minimum income tax	26	16,754	(16,729)
NET LOSS FOR THE YEAR		**(57,810)**	**(115,496)**
Other comprehensive income (loss)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		20,922	5,596
Income tax	26	(864)	(331)
Other comprehensive income, net of income tax		**20,058**	**5,265**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(37,752)**	**(110,231)**
Net loss attributable to:			
Owners of the Company		(57,813)	(115,496)
Non-controlling interests		3	
Net loss for the year		**(57,810)**	**(115,496)**
Total comprehensive loss attributable to:			
Owners of the Company		(37,755)	(110,231)
Non-controlling interests		3	
Total comprehensive loss for the year		**(37,752)**	**(110,231)**

The accompanying Notes are an integral part of this consolidated financial statement.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(in thousands of Argentine pesos)

	Shareholders' contributions	Reserves				Retained earnings (losses)	Equity attributable to:		Total
	Common Stock	Legal reserve	Facultative reserve	Foreign currency translation reserve	Special reserve established by General Resolution N° 609/12 of the CNV		Owners of the parents	Non controlling interest	
Balance at December 31, 2011	**457,547**	**15,273**		**(3,776)**		**332,594**	**801,638**	**10**	**801,648**
Net loss for the year						(115,496)	(115,496)		(115,496)
Other comprehensive income for the year, net of income tax				5,265			5,265		5,265
Total comprehensive income (loss) for the year				5,265		(115,496)	(110,231)		(110,231)
Resolution of General Ordinary Shareholders' Meeting held on March 27, 2012:									
Appropriation to facultative reserve (Note 3.17)			30,682			(30,682)			
Balance at December 31, 2012	**457,547**	**15,273**	**30,682**	**1,489**		**186,416**	**691,407**	**10**	**691,417**
Net loss for the year						(57,813)	(57,813)	3	(57,810)
Other comprehensive income for the year, net of income tax				20,058			20,058		20,058
Total comprehensive income (loss) for the year				20,058		(57,813)	(37,755)	3	(37,752)
Resolution of General Ordinary and Extraordinary Shareholders' Meeting held on March 26, 2013:									
Appropriation to special reserve (Note 3.17)					186,416	(186,416)			
Non-controlling interest arising on the acquisition of Campania Puntana de Carnes Elaboradas S.A. and its capital increase								5	5
Balance at December 31, 2013	**457,547**	**15,273**	**30,682**	**21,547**	**186,416**	**(57,813)**	**653,652**	**18**	**653,670**

The accompanying Notes are an integral part of this consolidated financial statement.

MASTELLONE HERMANOS SOCIEDAD ANÓNIMA
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
(in thousands of Argentine pesos)

	Note	2013	2012
Cash flows from operating activities			
Net loss for the year		(57,810)	(115,496)
Adjustments to reconcile net loss for the year to net cash provided by operating activities:			
Income tax and alternative minimum income tax accrued		(16,754)	16,729
Finance cost		164,930	144,806
Foreign exchange losses		356,513	150,599
Depreciation of property, plant and equipment, and others		123,595	107,669
Additions to provision for doubtful accounts, sale rebates and provisions (net of reversals)		31,933	11,348
Write-off of spare parts		681	
Depreciation of investment property		170	170
Amortization of intangible assets		16,214	722
Gain on acquisition of subsidiary		(35,194)	
Gain on sale of investments in other companies		(25,077)	
Gain on sale of property, plant and equipment, and others and investment property		(30,833)	(7,196)
		528,368	309,351
Changes in working capital	27	(125,655)	30,774
Subtotal		402,713	340,125
Payments of income tax and alternative minimum income tax		(32,725)	(22,394)
Net cash generated by operating activities		**369,988**	**317,731**
Cash flows from investing activities			
Payments for property, plant and equipment, and others		(199,948)	(202,919)
Payments for intangible assets		(680)	
Proceeds (payments) from sale (to acquire) other financial assets		663	(16,267)
Proceeds from sale of subsidiary company		2,772	9,172
Proceeds from disposal of property, plant and equipment, and others and investment property		59,595	12,623
Net cash outflow on acquisition of subsidiary		(6,845)	(5,000)
Contributions from non-controlling interest on acquisition of subsidiary		5	
Proceeds from sale of investments in other companies		26,605	
Proceeds from (payments for) other assets		60	(873)
Net cash used in investing activities		**(117,773)**	**(203,264)**
Cash flows from financing activities			
Net variation in loans		(58,487)	(3,459)
Payments of interests		(144,511)	(109,038)
Net cash used in financing activities		**(202,998)**	**(112,497)**
Increase in cash and cash equivalents		**49,217**	**1,970**
Cash and cash equivalents at beginning of year		**66,071**	**64,101**
Cash and cash equivalents at end of year		**115,288**	**66,071**

The accompanying Notes are an integral part of this consolidated financial statement.

1. GENERAL INFORMATION

Mastellone Hermanos S.A. (hereinafter "Mastellone Hermanos S.A." or the "Company") is a sociedad anónima under the laws of Argentina, registered with the Public Registry of Commerce on May 17, 1976. The term of the Company expires on November 5, 2060. Its legal address is in Juana Manso N° 555, 3rd Floor, Suite "A", City of Buenos Aires.

The main activity of the Company is the manufacturing and distribution of dairy products. The Company process and distribute a broad line of fresh dairy products including fluid milk, cream and butter, as well as long-life milk products, including cheese, powdered milk and caramelized condensed milk, which is known in Argentina and abroad as dulce de leche. The Company markets its dairy products under several brands names, including La Serenísima, La Armonía, Ser and Fortuna and to a lesser extent, the brand of some of its major customers.

The breakdown of consolidated companies in these financial statements is exposed in Note 2.5.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Statement of compliance of International Financial Reporting Standards ('IFRS') and basis of preparation

The consolidated financial statements for the fiscal year ended December 31, 2013 have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The adoption of such standards, as issued by the International Accounting Standards Board ('IASB'), was established by Technical Resolution N° 26 issued by the Argentine Federation of Professional Councils in Economic Sciences ("F.A.C.P.C.E.") and by the Comisión Nacional de Valores ("CNV"), Argentine Securities Commission. In accordance with the above mentioned accounting standards and regulatory standards, IFRS are mandatory for fiscal year beginning January 1st 2012.

The figures and other information for the fiscal year ended December 31, 2012 are an integral part of these consolidated financial statements and are intended to be read only in relation to those financial statements.

The legal currency in Argentina is the Peso. The consolidated financial statements are presented in thousands of Pesos.

The consolidated financial statements have been translated into English for the convenience of English-speaking readers. The consolidated financial statements are the English translation of those originally issued by Mastellone Hermanos S.A. in Spanish and presented in accordance with IFRS.

2.2 Applicable accounting policies

The consolidated financial statements have been prepared under the historical cost conventions, except for the revaluation of certain non-current assets and financial assets that are measured at revalued amounts at the transition date (January 1st, 2011) or fair values at the end of each reporting period, as explained in the accounting policies in Note 3. Usually, the historical cost is based on the fair value of the consideration given in exchange for the assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are described in Note 3.

The preparation of these financial statements are the responsibility of the Company's Board of Directors and requires accounting estimates and judgments of the administrators when applying financial standards. Areas of high complexity which require more judgments or those in which assumptions and estimations are more significant are detailed in Note 4.

2.3 New standards and interpretations effective from fiscal year beginning on January 1st, 2013 which are material to the Company

- The amendments to IAS 1 (Presentation of financial statements) require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Additionally, new terminology for the statement of comprehensive income and income statement were introduced. Under the amendment to IAS 1, the “statement of comprehensive income” is renamed the “statement of profit or loss and other comprehensive income”. See impact of these presentation changes in the consolidated statement of profit or loss and other comprehensive income.

- Under IFRS 10 there is only one basis for consolidation, that is control, which contains three elements: power over an investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor´s return. IFRS 10 replaces the consolidation requirements described in SIC 12 "Consolidation - Specific purpose entities" and IAS 27 "Consolidated and separate financial statements". The application of this standard did not affect significantly the amounts set out in relation to assets and liabilities of the Company.

- IFRS 12 applies to entities that hold interests in subsidiaries, joint arrangements, associated or unconsolidated structures. IFRS 12 requires disclosure objectives, as well as what are the minimum disclosures to be provided to meet these objectives, which are those that help users of financial statements to assess the nature and risks associated with investments in other entities. The changes did not affect significantly the disclosures in the financial statements of the Company.

- IFRS 13 requires one structure for fair value measurements when it is required by another IFRS. This IFRS applies to elements of both financial and non-financial assets and liabilities measured at fair value. Fair value is measured as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the trade date. Additionally, there are more extensive disclosure requirements, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy. See impact of these presentation changes in Note 31.

2.4 Standards and interpretations not yet adopted

The Company did not adopt the following standards, revision of standards and interpretations as per the application of the mentioned pronouncements are not required for the fiscal year ended December 31, 2013.

Standard	Name
IFRS 9	Financial instruments[1]
Amendments to IAS 32	Financial instruments: presentation[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Consolidated financial statements, Disclosure of interests in other entities and Separate financial statements[2]
IFRIC 21	Levies[2]
Amendments to IFRSs (annual cycle 2010-2012)	Various IFRSs[3]
Amendments to IFRSs (annual cycle 2011-2013)	Various IFRSs[3]

[1] Indefinite mandatory date.
[2] Effective for fiscal years beginning on or after January 1st, 2014.
[3] Effective for fiscal years beginning on or after July 1st, 2014.

- IFRS 9 "Financial instruments" issued in November 2009 and revised in October 2010 and in December 2011, introduces new requirements for the classification and measurement of financial assets and liabilities.

  IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial instruments - Recognition and measurement to be subsequently measured at amortized cost or fair value. Specially, debt investments that are held within a business model whose objective is the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debts investments and equity instruments are measured at their fair values at the end of subsequent accounting periods.

  The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

In November 2013, the IASB issued amendments to IFRS 9 as part of the hedge accounting phase of its project on accounting for financial instruments. The changes include the removal of IFRS 9's mandatory effective date (which formerly was January 1, 2015) to give the IASB more time to finalize other aspects of its project on accounting for financial instruments.

The Company´s Board of Directors has not determined the potential impact of this change due to the indefinitive mandatory transition date.

- The amendments to IAS 32 (Financial instruments: presentation) clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off".

  The Company´s Board of Directors anticipates that amendments to IAS 32 will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2014 and will be applied retrospectively. It is likely that changes will not affect significantly the disclosures in the financial statements of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. In terms of the exception, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities. Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

  The Company´s Board of Directors anticipates that the amendments will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2014. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- IFRIC 21 (Levies) provides guidance on when to recognize a liability for a levy imposed by a government.

  The Company´s Board of Directors anticipates that IFRIC 21 will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2014. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- The annual improvements to IFRSs (2010-2012 cycle) introduce amendments to various standards, including amendments to IAS 16 (Property, plant and equipment), to IAS 19 (Employee benefits), to IAS 24 (Related parties), to IAS 38 (Intangible assets), to IFRS 2 (Share based payments), to IFRS 3 (Business combination) and to IFRS 8 (Operating segments).

  The Company´s Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2015. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

- The annual improvements to IFRSs (2011-2013 cycle) introduce amendments to various standards, including amendments to IAS 40 (Investment property), to IFRS 1 (First time adoption), to IFRS 3 (Business combination) and to IFRS 13 (Fair value measurement).

  The Company´s Board of Directors anticipates that such amendments will be adopted in the financial statements of the Company for the fiscal year beginning January 1, 2015. It is likely that changes will not affect significantly the amounts set out in relation to assets and liabilities of the Company. However, it is not possible to determine the potential impact in a reasonable manner until a detailed review is completed.

2.5 Basis of consolidation

The consolidated financial statements of Mastellone Hermanos Sociedad Anónima include the stand-alone financial statements of the parent and its subsidiaries. Subsidiary companies are those where the Company has the control of the subsidiaries, which is based on the following three elements: power over an investee, exposure or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor´s return.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Total comprehensive result of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

The financial statements of the subsidiaries, with registered offices abroad, used to prepare the consolidated financial statements were issued in accordance with IFRS. Assets, liabilities and equity accounts were converted into pesos considering the exchange rate prevailing at the date of these financial statements. The income and expenses accounts were converted into pesos according to the exchange rate prevailing at the end of each month.

The main consolidation adjustments are the followings:

- elimination of assets, liabilities, income and expenses of the parent with those of its subsidiaries, in order to disclose the balances maintained effectively with third parties; and
- offset the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

Detailed below are the subsidiaries whose financial statements have been included in these consolidated financial statements:

Company	Main activity	Country	% of direct and indirect participation in capital stock and votes 2013	2012
Compañía Puntana de Carnes Elaboradas S.A. (1)	Slaughtering, preparation and preservation of meat and production and storage of miscellaneous food products	Argentina	99.99	
Con-Ser S.A.	Transportation services, services for vehicle, sale of parts and distribution of cooling equipments	Argentina	100.00	100.00
Leitesol Industria e Comercio S.A.	Production and distribution of dairy products	Brazil	100.00	100.00
Marca 4 S.A.	Ownership, administration and legal defense of trademarks *Ser* and *La Serenísima*	Argentina	99.99	99.99
Marca 5 Asesores en Seguros S.A.	Insurance broker	Argentina	99.99	99.99
Mastellone de Paraguay S.A.	Import and distribution of dairy products	Paraguay	100.00	100.00
Mastellone Hermanos do Brasil Comercial e Industrial Ltda.	Inactive	Brazil	100.00	100.00
Mastellone San Luis S.A.	Manufacturer of dairy products	Argentina	99.99	99.99
Promas S.A.	Agricultural exploitation	Argentina	100.00	100.00
Transporte Lusarreta Hermanos S.A. (2)	Inactive	Argentina		100.00

(1) Company acquired in 2013 fiscal year.

(2) This company, which was indirectly controlled by Mastellone Hermanos S.A. because it was controlled by Con-Ser S.A., was merged into Con-Ser S.A. on the basis of financial statements as of December 31, 2012. The merger was effective January 1, 2013. The merger was registered with the Companies´Inspection Bureau on November 15, 2013.

The financial position statements of Mastellone Hermanos Sociedad Anónima as of December 31, 2013 and 2012 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal years ended December 31, 2013 and 2012, were consolidated based on financial statements of the subsidiaries companies for the years ended at such dates.

The Company acquired 99.99% of the capital stock of Compañía Puntana de Carnes Elaboradas S.A. (“Copuce”) in May 2013. Such company is located in the city of Villa Mercedes, Province of San Luis and is included in the régime for promoted industrial activities for the developing of certain activities, including the manufacturing of dairy products. The acquisition price was approximately 35 million of pesos, from which (i) 20% was paid at the date of acquisition, (ii) 5% was retained to settle eventually payments related to unexpected issues at the date of acquisition (the remaining balance, according to the definitions established in the purchase agreement, if any, will be reimbursed to the sellers) and (iii) the remaining balance will be paid in four annual and consecutive installments, the first three installments corresponding each to 20% of the purchase price, and the last one for the remaining 15%, each installment being due on May 21, from years 2014 to 2017.

In accordance with the acquisition method described in IFRS 3 “Business combinations”, the Company allocated the cost of the business combination of Copuce shares at the acquisition date. The identifiable assets acquired and liabilities assumed were measured at fair value, based on financial information as of May 31, 2013. As a consequence of such allocation, the value of Copuce´s net assets was higher than the book value of Copuce in approximately 63 million of pesos. The excess of the acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over the acquisition cost, which amounts approximately to 35 million of pesos, was recognized in profit and loss as a “bargain purchase”. Such gain was included in “Other gains and losses” caption in the statement of Profit or loss and other comprehensive income.

The initial accounting of the business combination will be completed once the Company´s Management obtains the final accounting information of the acquired company, and, if necessary, the provisional amounts recognized at the current financial statements shall be retrospectively adjusted to reflect the new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Functional and presentation currency

The items of the financial statements of each consolidated entity are measured using the currency of the main economic environment in which operates (the functional currency). The functional currency of the parent company and the subsidiaries established in Argentina, is the Peso (legal currency of Argentina), which is also the presentation currency of these consolidated financial statements. The functional currency of the Brazilian subsidiaries (Leitesol Industria e Comercio S.A. and Mastellone Hermanos do Brasil Comercial e Industrial Ltda.) and the Paraguayan subsidiary are the Reais and the guaraní, respectively.

In the consolidated financial statements, assets and liabilities of foreign subsidiaries have been translated into Pesos using the exchange rate prevailing at year-end. Income and expenses have been translated at the month average exchange rate. The exchange differences are classified in other comprehensive result and included in equity under caption “Foreign currency translation reserve”.

3.2 Foreign currency

In preparing the financial statements of each individual entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit and loss in the year in which they arise.

3.3 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.4 Financial assets

Financial asset is any asset like: cash, time deposits in financial entities, equity instruments of other companies, contractual rights, or a contract which can or could be liquidated with the delivery of equity instruments of the Company.

Financial assets are classified into the following specified categories: “financial assets measured at fair value through profit and loss”, “available for sale”, “held-to-maturity” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets must be recognized on trade date, it means date where the Company commits to purchase or sale an asset. The recognition method is consistent for all purchases or sales of financial assets of the same category.

3.4.1 Cash and cash equivalents

Include cash, bank current accounts and short-term investments with original maturity up to 90 days, with low risk of value variation and destined to attendee short-term liabilities.

3.4.2 Financial assets at fair value through profit and loss

Financial assets are classified as at fair value through profit and loss when the financial asset is available for sale. A financial asset is classified as available for sale if it has been acquired principally for the purpose of selling it in the near term.

Financial assets at fair value through profit and loss are stated at fair value, with any gains or losses arising on remeasurement recognized in consolidated statement of profit or loss and other comprehensive income. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘Investment income’ line in the consolidated statement of profit or loss and other comprehensive income.

3.4.3 Held-to-maturity financial assets

Comprises private bonds with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. Revenue is recognized on an effective yield basis.

3.4.4 Loans and receivables

Trade and other receivables are non-derivate financial assets with fixed or determinable payments that are not quoted in an active market and are classified as "receivables". Receivables are measured at amortized cost using the effective interest method, less any impairment.

3.4.5 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit and loss (Note 3.4.2).

3.4.6 Impairment of financial assets

Financial assets are assessed by the Company for indicators of impairment at the end of each reporting year. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

3.4.7 Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.5 Inventories

Inventories are stated at the acquisition weighted average cost adjusted, if necessary at net realizable value. The net realizable value is the estimated price of sale less estimated costs to conclude such sale.

Based on the Board of Director´s analysis at December 31, 2013 and 2012, slow-moving or obsolete inventories were charged in the statement of profit or loss and other comprehensive income in the year such evaluation was performed, which evaluated the conservation status, the future use and the net realizable value of those inventories.

3.6 Property, plant and equipment, and others

- Lands and buildings held for use in production, supply of services or for administrative purposes, machinery, equipment and tools, fittings, laboratory equipment and furniture, vehicles and trays are stated in the consolidated statement of financial position at their cost less any subsequent accumulated depreciation.

  Land is not depreciated. Depreciation of buildings, olive plantations, machinery equipment, tools and parts, fittings, laboratory equipment and furniture, vehicles and trays is recognized as a loss of each year.

- Work in progress is carried at cost, less any recognized impairment loss. Cost includes professional fees and capitalized interests. These assets are classified in the appropriate category of Property, plant and equipment when the construction has been completed and it is ready for use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

- Depreciation is recognized so as to write-off the cost or valuation of assets (other than land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives and residual values are reviewed at each year end, with the effect of any changes in estimates being accounted for on a prospective basis.

- Assets acquired under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

- An item of property, plant and equipment, and others is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss derived of the write-off or disposal of an item of Property, plant and equipment is determined as the difference between the obtained sale value and the book value and it is stated in the consolidated statement of profit or loss and other comprehensive income.

The Company has chosen the exemption under IFRS 1 – "First Time Adoption of International Financial Reporting Standard" related to the use of deemed cost for property plant and equipment.

3.7 Investment property

Investment properties are properties held to earn rentals. They are stated at their cost less any subsequent accumulated depreciation.

3.8 Intangible assets

Intangible assets include costs of development of projects, brands and patents. The accounting policies for the recognition and measurement of these intangible assets are described below.

3.8.1. – Intangible assets acquired separately

Intangible assets with finite useful life that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed at the end of each reporting year, with the effect of any changes in estimates being accounted for on a prospective basis.

3.8.2. – Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the year in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.8.3. – Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately

3.8.4. – Derecognition of an intangible asset

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

3.9 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting year, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing impairment, assets which do not generate an independent cash flow are included in an appropriate cash-generating unit.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

At December 31, 2013 and 2012 no impairment losses were recorded.

3.10 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquire and the equity interests issued by the Company in exchange for control of the acquire. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively*;*
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net amounts at the acquisition-date of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net amount at the acquisition-date of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.11 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see previous paragraph) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The value of goodwill does not exceed their estimated recoverable value at each year-end.

3.12 Other assets

These include mainly investments in other companies where no significant influence is exercised. These investments are valued at cost, which do not exceed their estimated recoverable value.

3.13 Liabilities

The Company recognizes a liability when it has a present obligation (legally enforceable as a result of the execution of a contract or a mandate contained in a legal standard) resulting from a past event and whose amount owed can be estimated reliably.

3.14 Financial liabilities

Financial liabilities initially measured at fair value, net of transaction costs are subsequently measured at amortized cost using the effective interest method. Interest charges are stated in the “Finance cost” line of the consolidated statement of profit or loss and other comprehensive income, except the part stated in the cost of work in progress of Property, plant and equipment, and others.

3.14.1 - Derecognition of financial liabilities

The Company derecognizes financial liabilities (or a part of them) when, and only when, the Company's obligations are discharged, cancelled or they expired.

The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

3.15 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting year, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company has been claimed in civil and commercial lawsuits. Reserves for contingencies are recorded on a risk assessment basis and when the likelihood of a loss is probable. The assessment of a loss probability is based on the opinion of legal counsels of the Company.

3.16 Government grants

If any, the subsidized loans granted, directly or indirectly, by Governments to the Company or its controlled subsidiaries, with interest rates which are below the current market conditions are treated as a grant. Its measurement is performed considering the difference between the obtained values and the fair value resulting from applied current market rates.

Tax benefits whereas the Company is a beneficiary, are recognized directly in results of each year.

3.17 Equity accounts

Capital stock

Capital stock is composed by contributions made by the shareholders, represented by shares and includes subscribed shares at their nominal value. Capital stock, which amounted to 457,547 as of December 31, 2013 and 2012, is composed by 194,428 nominative, non-endorsable shares of Ps. 1 par value, with 5 votes each and 263,119 nominative, non-endorsable shares of Ps. 1 par value, with 1 vote each.

Legal reserve

The current Argentine legal regulations (Law N° 19,550) require the Company to appropriate 5% of its net income per year to a “Legal reserve”, which arises from the sum of the net income, prior year adjustments, transfers from other comprehensive result to accumulated earnings and accumulated loss from prior years, until such reserve equals 20% of the capital stock.

Facultative reserve

These are reserves approved by Shareholders’ Meeting for a special purpose.

The General Ordinary Shareholders' Meeting held on March 27, 2012 approved the appropriation to facultative reserve of the accumulated earnings.

Special reserve established by General Resolution N° 609/12 of the CNV

On September 13, 2012, the CNV issued Resolution No. 609, which establishes the appropriation of the positive difference between the opening balance of retained earnings disclosed in the financial statements for the first fiscal year in which application of IFRS is mandatory and the ending balance of retained earnings of the last fiscal year in which Argentine accounting standards were mandatory. Accordingly, entities that prepare for the first time financial statements in accordance with IFRS, must allocate the positive difference arising from such application to a special reserve. This reserve will not be distributed in cash or in kind to the shareholders or owners of the entity and could only be used for increases in capital stock or to offset retained losses. The Shareholders meeting celebrated on March 26, 2013 resolved the appropriation of this special reserve for 186,416 in accordance with such resolution (the amount corresponds to the net amount between 301,912 related to the positive difference between the closing balance of the previous standards and the opening balance of IFRS and the absorption of fiscal year 2012 net loss amounting to 115,496).

Accumulated earnings

It includes the result for the year, prior year's results which were not appropriated, the amounts transferred from other comprehensive results and prior year's adjustments for the application of accounting standards.

3.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.18.1 Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company records cash discounts and volume rebates at the time the related revenue from product sale is recognized.

3.18.2 Services rendered

The Company recognizes service revenues as follows: (i) production of specific products on behalf of other companies (“façon” agreements) – when a customer picks up the product produced from the Company’s manufacturing facilities; (ii) procurement of raw milk for Danone Argentina S.A. – when the Company delivers the raw milk it procured to the manufacturing facility of Danone; and (iii) provision of marketing and other administrative services to Logística La Serenísima Sociedad Anónima – over the agreed service period.

3.18.3 Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

For the fiscal year ended December 31, 2013 and 2012, the Company capitalized in “Work in progress” of Property, plant and equipment, and others borrowing costs for 14,065 and 8,265, respectively.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

3.20 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. There are no situations in which the Company qualifies as a lessor.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.21 Income tax and alternative minimum income tax

3.21.1. – Income taxes – current and deferred

Income tax expenses represent the sum of the tax currently payable and deferred tax.

3.21.1.1 – Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rate that have been enacted or substantively enacted by the end of the reporting year. The current income tax charge is calculated on the basis of the tax laws in force in the countries in which the consolidated entities operate.

3.21.1.2 – Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets, including tax loss carryforwards, are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such deferred assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on tax rates and tax laws enacted or substantially enacted at each year-end. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting year to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Under IFRS, deferred income tax assets and liabilities are classified as non-current assets and liabilities.

3.21.1.3. – Current and deferred tax for the year

Current and deferred tax are recognized as profit or loss in the consolidated statement of profit or loss and other comprehensive income, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are recognized in other comprehensive income or directly in equity or when current tax or deferred tax arises from the initial accounting for a business combination. Where curent tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

3.21.2. – Alternative minimum income tax

The alternative minimum income tax is complementary to the income tax. The Company determines the tax charge applying the enacted rate of 1% over the computable assets at year-end. The Company´s tax obligation will be the higher amount between the determined presumed income tax and the income tax liability determined applying the enacted 35% tax rate over the estimated taxable profit of the year. Nevertheless, if the presumed income tax in a fiscal year exceeds the corresponding income tax, this excess can be taken as payment on credit of any surplus of the income tax to be paid over the presumptive income tax in any of the following ten years.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Company’s accounting policies, which are described in Note 3, the Company’s management and Board of Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that period or in the year of the revision and future periods if the revision affects both current and future years.

These estimates relate basically to the following:

- <u>Impairment of property, plant and equipment, and others</u>

  The Company periodically evaluates the carrying value of its long-lived assets. The Company considers the carrying value of long-lived assets to be impaired when the expected discounted cash flows, to be derived from the use of such assets are less than their carrying value. In that event, the Company would recognize a loss based on the amount by which the carrying value exceeds the fair market value of such assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate appropriate to the risk involved.

  The Company believes that the accounting estimate related to the impairment of these assets is a “critical accounting estimate” because: (1) it is highly susceptible to change from period to period as it requires management to make certain assumptions about future revenues and costs; and (2) the impact that recognizing an impairment has on the assets reported on the statement of financial position as well as the statement of profit or loss and other comprehensive income is material. The most important estimates, and those that could affect significantly the projected cash flows, are the selling price of the Company´s products on the revenue side and the availability and price of raw milk from the cost point of view.

- Provision for allowances and contingencies

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other legal proceedings. The Company routinely assesses the likelihood of adverse judgments or outcomes to those proceedings. The Company records accruals for such contingencies to the extent that it is able to determine that their occurrence is probable and the financial impact, should such a decision be rendered against the Company, is reasonably quantifiable.

In determining the likely outcome of litigation proceedings, management considers many factors, including, but not limited to, past history, reports from counsels and other available evidence, and the specifics and status of each proceeding. The evaluation may result in the recording of an accrual or a change in a previously recorded accrual. Determining the outcome of claims and litigation, and estimating related costs and exposure, involves substantial uncertainties that could cause actual costs to vary materially from estimates and accruals, which could have a material effect on the Company´s future results of operations, financial conditions and liquidity.

- Deferred income tax and alternative minimum income tax

Deferred income taxes are fully provided to reflect the net tax effects of temporary differences between the financial reporting and the tax base for assets and liabilities. Deferred income taxes are measured using the currently enacted or substantially enacted tax rates and laws in each of the relevant jurisdictions where the assets and liabilities are located.

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The Company has generated tax losses which are deductible with respect to taxable earnings of up to five years following the year in which they were originated (in Brazil, it has no expiration date, but there are limitations concerning the maximum amount to be offset per each year).

In Argentina, the Company is also subject to the payment of an alternative minimum income tax, which is calculated regardless of the economic results for the period. This tax is calculated using a rate of 1% of the total value of the assets, with certain deductions mostly to avoid double taxation and to encourage capital expenditures. The amounts paid on such tax can be credited against Argentine income tax obligation for a period of ten years.

5. CASH AND CASH EQUIVALENTS

	2013	**2012**
Cash and bank accounts	68,451	62,407
Investment funds	31,800	3,664
Short-term investments	15,037	
Total	**115,288**	**66,071**

6. OTHER FINANCIAL ASSETS

	2013	2012
• Current		
Restricted investment funds (Note 28d)	9,554	
Private bonds	7,506	7,538
Short-term investments - related parties (Note 29)	1,029	1,589
Short-term investments – other	2,666	2,102
Public bonds (1)		12,351
Total	**20,755**	**23,580**

(1) Corresponds to nominal value U$S 2,006,700 of BODEN 2015, valued at the quotation of pesos 6.155 per bond.

	2013	2012
• Non-current		
Long-term investments	6,671	4,509
Total	**6,671**	**4,509**

7. TRADE ACCOUNTS RECEIVABLE

	2013	2012
Third parties (domestic)	725,481	518,609
Related parties (Note 29)	62,645	168,871
Foreign receivables	7,219	7,763
Notes receivables	5,269	3,048
Tax incentives on exports	26,208	17,434
Subtotal	**826,822**	**715,725**
Allowance for doubtful accounts	(14,825)	(11,161)
Allowance for trade discounts and volume rebates	(15,446)	(6,192)
Total	**796,551**	**698,372**

The movement of the allowance for doubtful accounts is as follows:

	2013	2012
Balance at the beginning of the year	11,161	11,012
Additions (1)	5,336	2,447
Transfers	(1,321)	(965)
Write-offs	(511)	(1,414)
Re-measurement of foreign subsidiaries allowances	160	81
Balance at the end of the year	**14,825**	**11,161**

(1) Charged to selling expenses – Note 22.

The allowance for doubtful accounts was determined based on the historical experience of default, statistics, specific analyses for major clients and evaluation of management about current economic scenario. Customer accounts in bankruptcy or bankruptcy process (offset of the corresponding allowances) are excluded from current accounts receivables and included in other receivables. An allowance for doubtful accounts with an age over 90 days past due is recorded, if necessary.

The movement of allowance for trade discounts and volume rebates is as follows:

	2013	2012
Balance at the beginning of the year	6,192	5,121
Additions (1)	15,446	5,550
Write-offs	(6,192)	(4,479)
Balance at the end of the year	**15,446**	**6,192**

(1) Charged to result for the year – deducted from revenue.

Payments terms are agreed with customers according to market conditions. No interest is charged on outstanding balances.

The Company believes that the carrying amount of account receivables approximates its fair value.

The Company also believes that its exposure to concentration of credit risk is limited due to the large number of customers located in different geographic locations, and the fact that their biggest customers are large companies with strong credit situations. The Company believes that it is not exposed to significant credit risk and is not dependent on a single client. In the fiscal years ended December 31, 2013 and 2012, no single customer accounted for in excess of 10% of the Company's revenue.

Trade accounts receivable that are disclosed above, include amounts that are past due at the end of the reporting year under review. The aging of trade accounts receivable is as follows:

	2013	2012
Overdue	59,313	60,769
To be due:		
Between 0 and 3 months	733,009	652,730
Between 3 and 6 months	6,126	1,520
Between 6 and 9 months	1,734	563
Between 9 and 12 months	26,640	143
Subtotal	**826,822**	**715,725**
Allowance for doubtful accounts	(14,825)	(11,161)
Allowance for trade discounts and volume rebates	(15,446)	(6,192)
Total	**796,551**	**698,372**

Age of receivables that are past due but not impaired is as follows:

	2013	2012
Between 0 and 6 months	43,957	49,101
Between 6 and 12 months	531	507
Total	**44,488**	**49,608**

Age of impaired trade receivables is as follows:

	2013	2012
Between 3 and 12 months	10,788	7,064
More than 12 months	4,037	4,097
Total	**14,825**	**11,161**

8. TAX CREDITS

	2013	2012
• Current		
Net value added tax	44,750	13,982
Turnover tax credit	5,244	15,782
Income tax and alternative minimum income tax receivable	4,687	4,137
Other tax credits	10,824	3,440
Total	**65,505**	**37,341**
• Non-current		
Net value added tax	51,219	19,619
Turnover tax credit	730	1,799
Other tax credits	728	1,552
Total	**52,677**	**22,970**

9. OTHER RECEIVABLES

	2013	2012
• Current		
Prepaid expenses	10,445	7,863
Receivable from sale of subsidiary company	14,117	8,023
Receivable from sale of property, plant and equipment, and others	3,373	2,982
Advances to services suppliers	2,105	834
Insurance receivable	3,255	1,100
Guarantee deposits (Note 28c)	148	127
Related parties (Note 29)	41	
Receivables from customers in receivership and in bankruptcy	215	166
Other	7,778	4,953
Subtotal	**41,477**	**26,048**
Allowance for doubtful accounts	(590)	(587)
Total	**40,887**	**25,461**
• Non-current		
Régime for the professionalization of transport	17,567	17,567
Receivables from customers in receivership and in bankruptcy	16,906	15,770
Receivable from sale of subsidiary company		5,479
Recovery of decrees N° 7290/67 and 9038/78	3,992	3,992
Guarantee deposits (Note 28c)	904	579
Other	1,558	1,239
Subtotal	**40,927**	**44,626**
Allowance for doubtful accounts	(16,711)	(12,854)
Total	**24,216**	**31,772**

The movement of allowance for doubtful accounts is as follows:

	2013	2012
• Current		
Balance at the beginning of the year	587	638
Additions (decrease) (1)	3	(26)
Write-offs		(25)
Balance at the end of the year	**590**	**587**
• Non-current		
Balance at the beginning of the year	12,854	6,622
Additions (1)	2,476	5,898
Transfers	1,321	965
Write-offs	(965)	(880)
Re-measurement of foreign subsidiaries allowances	1,025	249
Balance at the end of the year	**16,711**	**12,854**

(1) Charged to selling expenses – Note 22.

10. INVENTORIES

	2013	2012
Resale goods	45,638	26,981
Finished goods	356,657	293,177
Work in progress	252,245	186,281
Raw materials, packaging and other materials	238,228	190,525
Goods in transit	66,720	20,618
Subtotal	**959,488**	**717,582**
Advances to suppliers	4,462	6,603
Total	**963,950**	**724,185**

11. PROPERTY, PLANT AND EQUIPMENT, AND OTHERS

	2013													
	Cost or deemed cost: Value at the beginning of the year	Cost or deemed cost: Foreign currency exchange differences	Cost or deemed cost: Acquisitions	Cost or deemed cost: Transfers and balances of acquired subsidiary	Cost or deemed cost: Retirement and disposal	Cost or deemed cost: Value at the end of the year	Depreciation: Accumulated depreciation at the beginning of the year	Depreciation: Foreign currency exchange differences	Depreciation: Transfers and balances of acquired subsidiary	Depreciation: Retirement and disposal	Depreciation: Depreciation Rate %	Depreciation: Depreciation Of the year	Depreciation: Accumulated depreciation at the end of the year	Net value at the end of the year
Land and buildings	892,389	5,586	15,867	11,005	16,538	908,309	101,282	2,384	5,343	938	2, 2,5, 3,3 and 5	28,898	136,969	771,340
Olive plantations	50,166					50,166	13,485				2	1,980	15,465	34,701
Machinery and equipment, containers, tools and spare parts (1)	1,019,888	2,669	19,527	24,624	16,791	1,049,917	778,135	1,191	3,500	12,258	5 and 10	30,919	801,487	248,430
Fittings, laboratory equipment and furniture	784,064	1,133	30,624	15,767	48,088	783,500	593,071	570	2,398	44,850	5, 10, 25 and 33	24,024	575,213	208,287
Vehicles (2)	150,389	254	13,620	2,797	16,400	150,660	108,084	87	240	12,246	10 and 20	6,595	102,760	47,900
Work in progress	143,322		72,853	(33,559)	39	182,577								182,577
Advances to suppliers	3,763		5,438	(3,837)	1,049	4,315								4,315
Subtotal	**3,043,981**	**9,642**	**157,929**	**16,797**	**98,905**	**3,129,444**	**1,594,057**	**4,232**	**11,481**	**70,292**		**92,416**	**1,631,894**	**1,497,550**
Other:														
Trays	123,186		42,019		70,627	94,578	76,537			70,627	33	31,179	37,089	57,489
Carrying amount as of December 31, 2013	**3,167,167**	**9,642**	**199,948**	**16,797**	**169,532**	**3,224,022**	**1,670,594**	**4,232**	**11,481**	**141,919**		**123,595**	**1,668,983**	**1,555,039**

(1) Includes machinery operated by Promas S.A. with a net value of 9,780 as of December 31, 2013.
(2) Includes vehicles operated by frighters of Con-Ser S.A. and Logística la Serenísima S.A. with a net value of 21,025 as of December 31, 2013.

	2012												
	Cost or deemed cost						Depreciation						Net value at the end of the year
	Value at the beginning of the year	Foreign currency exchange differences	Acquisitions	Transfers	Retirement and disposal	Value at the end of the year	Accumulated depreciation at the beginning of the year	Foreign currency exchange differences	Retirement and disposal	Depreciation Rate %	Depreciation Of the year	Accumulated depreciation at the end of the year	
Land and buildings	876,890	814	804	14,796	915	892,389	72,108	424	23	2, 2.5, 3.3 and 5	28,773	101,282	791,107
Olive plantations	50,166					50,166	11,504			2	1,981	13,485	36,681
Machinery and equipment, containers, tools and spare parts (1)	992,784	107	4,641	24,494	2,138	1,019,888	752,041	84	1,179	5 and 10	27,189	778,135	241,753
Fittings, laboratory equipment and furniture	740,678	392	7,561	36,540	1,107	784,064	571,336	330	1,042	5, 10, 25 and 33	22,447	593,071	190,993
Vehicles (2)	133,312	41	15,220	6,127	4,311	150,389	105,078	10	2,656	10 and 20	5,652	108,084	42,305
Work in progress	82,776		117,460	(56,310)	604	143,322							143,322
Advances to suppliers	7,212		19,423	(21,620)	1,252	3,763							3,763
Subtotal	**2,883,818**	**1,354**	**165,109**	**4,027**	**10,327**	**3,043,981**	**1,512,067**	**848**	**4,900**		**86,042**	**1,594,057**	**1,449,924**
Other:													
Trays	85,376		37,810			123,186	54,910			33	21,627	76,537	46,649
Carrying amount as of December 31, 2012	**2,969,194**	**1,354**	**202,919**	**4,027**	**10,327**	**3,167,167**	**1,566,977**	**848**	**4,900**		**107,669**	**1,670,594**	**1,496,573**

(1) Includes machinery operated by Promas S.A. with a net value of 6,498 as of December 31, 2012.
(2) Includes vehicles operated by frighters of Con-Ser S.A. and Logística La Serenísima S.A. with a net value of 16,506 as of December 31, 2012.

12. INTANGIBLE ASSETS

	2013	2012
Rights to use fiscal bonds (Note 2.5)	47,463	
Trademarks and patents	3,118	2,870
	50,581	**2,870**

The movement of intangible assets is as follows:

Balance at the beginning of the year	2,870	3,592
Additions	680	
Acquisitions through business combinations	63,245	
Amortization	(16,214)	(722)
Total	**50,581**	**2,870**

13. TRADE PAYABLE - CURRENT

	2013	2012
Trade payables	674,427	553,747
Related parties (Note 29)	80,904	88,880
Note payables	173,626	155,847
Foreign suppliers	13,021	11,946
Total	**941,978**	**810,420**

The aging of trade payable is as follows:

	2013	2012
To be due:		
Between 0 and 3 months	939,777	801,397
Between 3 and 6 months	2,013	1,358
Between 6 and 9 months	64	48
Between 9 and 12 months	124	7,617
Total	**941,978**	**810,420**

The average credit period on purchases is between 30 and 60 days. No interest is charged on the trade payables.

14. BORROWINGS

	2013	2012
Short-term debt		
Principal:		
Senior notes and loan debt:		
Senior Notes:		
Series A, B and C – due 2018	47,302	35,674
Serie D – final due 2015	19,563	7,377
Series E – final due 2013 (net of commissions and expenses related to the issuance by 1,103 in 2012)		97,257
Subtotal	66,865	140,308
Loan:		
Tranche A – final due 2015	65,442	24,677
Tranche B – final due 2018	4,700	3,545
Subtotal	70,142	28,222
Subtotal – Senior Notes and loan debt	**137,007**	**168,530**
Other financial debt:		
Unsecured debt	17,001	25,712
Unsecured debt – related parties (Note 29)	1,742	1,314
Secured debt	256,662	117,989
Secured debt – related parties (Note 29)	41,387	28,063
Subtotal – Other financial debt	**316,792**	**173,078**
Total principal	**453,799**	**341,608**
Accrued interest:		
Unsecured - related parties (Note 29)	113	3
Unsecured and secured debt	3,474	3,031
Total accrued interest	**3,587**	**3,034**
Total	**457,386**	**344,642**

	2013	2012
Long-term debt		
Principal:		
Senior Notes and loan debt:		
Senior Notes:		
Series A, B and C – due 2018	786,806	629,066
Series D – final due 2015	26,084	34,426
Subtotal	812,890	663,492
Loan:		
Tranche A – final due 2015	87,256	115,161
Tranche B – final due 2018	79,900	63,804
Subtotal	167,156	178,965
Subtotal – Senior Notes and loan debt	**980,046**	**842,457**
Other financial debt:		
Unsecured debt	14,736	2,673
Secured debt	20,943	4,859
Subtotal – Other financial debt	**35,679**	**7,532**
Total principal	**1,015,725**	**849,989**
Adjustment to net present value:		
Senior Notes Series A, B and C – due 2018	(44,434)	(52,853)
Senior Notes Series D – final due 2015	(3,338)	(4,933)
Loan debt – tranche A – final due 2015	(11,190)	(16,539)
Loan debt – tranche B – final due 2018	(4,497)	(5,350)
Total adjustment to net present value	**(63,459)**	**(79,675)**
Total	**952,266**	**770,314**

14.1 Main loans agreements

14.1.1 Financial debt – final due 2015 and 2018

Below is a summary of the financial debt - final due 2015 and 2018, derived from a refinancing implemented through a voluntary exchange, which was concluded in May 2010.

1. Summary of the outstanding balances as of December 31, 2013 of the financial debt - final due 2015 and 2018:

Debt restructured	Amount in the original currency – in thousands		Amount in thousand pesos (as of December 31, 2013)
Senior Notes Series A, B and C – final due 2018	U$S	127,911	834,108
Senior Notes Series D – final due 2015	U$S	7,000	45,647
Loan debt – tranche A – final due 2015	U$S	23,417	152,698
Loan debt – tranche B – final due 2018	U$S	12,974	84,600

2. Outstanding principal and interests payment as of December 31, 2013:

Maturity date	Senior Notes Series A, B and C and loan debt, tranche B Due 2018		Senior Notes Series D and loan debt, tranche A Due 2015	
	Amortization of principal	Rate (*)	Amortization of principal	Rate
June 30, 2014	2.50%	8.50%	15.00%	(**)
December 31, 2014	2.50%	8.50%	15.00%	(**)
June 30, 2015	2.50%	9.00%	20.00%	(**)
December 31, 2015	2.50%	9.00%	20.00%	(**)
June 30, 2016	10.00%	9.00%		
December 31, 2016	10.00%	9.00%		
June 30, 2017	15.00%	9.00%		
December 31, 2017	15.00%	9.00%		
June 30, 2018	15.00%	9.00%		
December 31, 2018	15.00%	9.00%		

(*) The above-mentioned interest rates correspond to the nominal annual rate applied in the semester ending at each date. The contingent interest rate mentioned afterwards is not included.

(**) The applicable interest rate of the debt due 2015 is a floating rate and is determined by reference to the LIBO rate plus a spread of 2.5%, provided that such rate shall not exceed 6% per annum.

3. Other conditions:

The Senior Notes of the Company with final due 2018 has the right to the payment of a contingent interest at an annual rate during each one-year period, as from January 1, 2011, equivalent to the 0.3% for each U$S 5 million, based on the EBITDA (in accordance with the terms included in the loan contract) of the prior fiscal year in excess of U$S 40 million, with a maximum of 4% if the EBITDA is higher than US$ 105 million. The semi-annual payments of interest maturing on June 30 and December 31, 2011 accrued a contingent interest rate of 2.1% based on the 2010 EBITDA estimated for the fiscal year ended December 31, 2010. The semi-annual payments of interest maturing on June 30 and December 31, 2012 accrued a contingent interest rate of 2.1% based on the 2011 EBITDA estimated for the fiscal year ended December 31, 2011. The semi-annual payments of interest maturing on June 30 and December 31, 2013 accrued a contingent interest rate of 1.2% based on the 2012 EBITDA estimated for the fiscal year ended December 31, 2012.

On each June 30, commencing on June 30, 2011, the Company must apply to repay, ratably and at par, a principal amount of the debt due 2018 equal to 75% of the excess cash (as defined in the issuance terms of the debt) for such preceding fiscal year. As of December 31, 2013, from the calculation performed by the Company, there was no excess cash according to the definitions of the loan agreements, which might have required the payment in advance of a portion of such debt.

According to the terms established in the debt and in addition to all scheduled amortization payments, the Company had to reduce the aggregate principal amount outstanding of its debt in the amount of US$ 20 million by December 31, 2011 ("mandatory debt reduction"), or, otherwise, the refinanced debt will bear penalty interest (i) at the rate of 0.25% for the year 2012, and (ii) later, commencing on January 1, 2013, at the rate of 1.0% per year during 2013, which penalty interest will increase by 0.25% on January 1st of each year thereafter until the mandatory debt reduction has been completed in full. As the Company did not comply with the mandatory debt reduction, the interest rate for such debt increased by 0.25% from the year 2012 and 1% from the year 2013.

The agreements contain certain commitments, including reporting requirements, and imposed certain limitations affecting the Company's ability and the restricted subsidiaries' ability to: borrow money, pay dividends, redeem capital stock or redeem subordinated debt, make investments, sell capital stock of subsidiaries, guarantee other indebtedness, enter into agreements that restrict dividends or other distributions from restricted subsidiaries, enter into transactions with unrestricted subsidiaries and affiliates outside the ordinary course of business, create or assume certain liens, engage in mergers or consolidations, and enter into a sale of all or substantially all of the Company's assets.

Debt with final due in 2015 and 2018 are collateralized in each case, ratably and in first degree for pledges given to the guarantee agent by the shareholders of the Company on a number of Company's stock of 32.51% and 16.49%, respectively, of their common stock and voting right. Subsidiaries Con-Ser S.A., Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A., Promas S.A. and Compañía Puntana de Carnes Elaboradas S.A. (this company, since June 2013) are jointly and severally liable for the Senior Notes and loan debt.

14.1.2 Senior Notes Series E

On December 21, 2010, the Company issued US$ 20,000,000 face value Senior Notes Series E, bearing a fixed 9.5% annual interest rate, payable every nine months, and maturing on June 21, 2013, which were issued as part of the Global Programme of Issuance of Senior Notes for a nominal value of US$ 250,000,000 approved by the National Securities Commission in 2007. The proceeds from the issuance were used to repay short-term debt and to fund working capital needs. Principal was totally paid-in as of its due date.

The debt contract included commitments and usual conditions for this type of debt agreements. Subsidiaries Leitesol Industria e Comercio Ltda., Mastellone San Luis S.A., Promas S.A. and Con-Ser S.A. (this company, since February 2011) were jointly and severally liable for the Senior Notes.

15. ACCRUED SALARIES, WAGES AND PAYROLL TAXES

	2013	2012
Payroll and bonus to management	177,805	113,917
Social security taxes	85,271	56,898
Total	**263,076**	**170,815**

16. TAXES PAYABLE AND ACCRUAL FOR TAX RELIEF

	2013	2012
• Current		
Tax withholdings	74,450	50,539
Taxes, rates and contributions (net from advances)	17,371	15,444
Payment plan – Law N° 26,476	8,177	6,424
Tax – Law N° 23,966	2,347	3,417
Accrual for tax relief (Note 28a)	4,579	
Total	**106,924**	**75,824**
• Non-current		
Payment plan – Law N° 26,476	33,183	34,262
Accrual for tax relief (Note 28a)	18,315	22,894
Total	**51,498**	**57,156**

Régime for industrial promoted activities of subsidiaries

- Mastellone Hermanos Sociedad Anónima, as an investor in Mastellone San Luis S.A. and Promas S.A., pursuant to several fiscal laws deferred payment of value added taxes and income taxes, provided that these amounts are invested in the above-mentioned subsidiaries. In the case of Mastellone San Luis S.A., the deferred payments were already paid. In the case of Promas S.A., the obligations are secured by shares of such subsidiary owned by Mastellone Hermanos Sociedad Anónima, as required by applicable regulations. The value-added taxes and income taxes deferred are recorded as liabilities in the statement of financial position.

- Through Decree N° 699/10, the National Executive Power extends for a two-year term starting 2012, the benefits which are currently in force for promoted companies in the Provinces of San Luis, La Rioja, San Juan and Catamarca, beginning once the Provincial Governments adopt the decree and subscribe the corresponding agreement. On the other side, the Federal Justice issued a precautionary measure provisionally suspending the applicability of the decree, which was rejected by the Federal Court of the Province of Mendoza on July 8, 2011. On August 26, 2011 the Federal Court of Appeals accepted the extraordinary appeal filed by the San Rafael Chamber Commerce against the Decree N° 699/10, consequently, the applicability of such decree is suspended until the National Supreme Court of Justice rules on the main issue.

17. PROVISIONS

	2013	2012
• Current		
Accrued litigation expenses	280	1,451
Other	993	446
Total	**1,273**	**1,897**
• Non-current		
Accrued litigation expenses	21,980	18,877
Other	464	2,153
Total	**22,444**	**21,030**

	2013	2012
The movement of accrued litigation and other expenses is as follows:		
• Current		
Balance at the beginning of the year	1,897	9,616
Reversal (1)		(3,484)
Payments made	(5,434)	(2,418)
Re-measurement of foreign subsidiaries allowances		410
Transfer from (to) non-current allowance	4,810	(2,227)
Balance at the end of the year	**1,273**	**1,897**
• Non-current		
Balance at the beginning of the year	21,030	18,005
Balance of acquired subsidiary	416	
Increases (1)	8,672	963
Payments made	(3,624)	(165)
Re-measurement of foreign subsidiaries allowances	760	
Transfer (to) from current allowance	(4,810)	2,227
Balance at the end of the year	**22,444**	**21,030**

(1) Charged to other gain and losses - Note 25.

18. OTHER LIABILITIES

	2013	2012
• Current		
Debt for acquisition of subsidiary company (2013, Note 28a)	10,185	1,250
Other	5,423	5,960
Total	**15,608**	**7,210**
• Non – current		
Debt for acquisition of subsidiary company (Note 28a)	21,133	
Deferred revenue	1,323	1,026
Other		3,180
Total	**22,456**	**4,206**

19. DEFERRED TAX

Deferred tax assets:

	2013	2012
Temporary differences:		
Provisions and other non-deductible accrued expenses	10,250	8,184
Inventories	12,368	10,322
Property, plant and equipment, and others	(1,861)	(1,653)
Tax loss carry-forwards	28,025	16,837
Alternative minimum income tax	12,407	10,345
Valuation allowance for alternative minimum income tax and deferred income tax	(49,556)	(39,782)
Total	**11,633**	**4,253**

Deferred tax liabilities:

	2013	2012
Temporary differences:		
Provisions and other non-deductible accrued expenses	22,003	13,617
Inventories	40,107	23,646
Intangible assets	760	624
Other assets	(185)	(476)
Property, plant and equipment, and others	(314,027)	(320,617)
Credits deducted for tax purposes		(1,239)
Adjustment to present value	(22,512)	(28,132)
Tax loss carry-forwards	65,001	69,273
Alternative minimum income tax	123,976	111,988
Valuation allowance for alternative minimum income tax and deferred income tax	(40,895)	(55,846)
Total	**(125,772)**	**(187,162)**

The unused tax loss carry-forwards filed with tax authorities by Mastellone Hermanos S.A. and its subsidiaries as of December 31, 2013 are as follows:

Year of generation	Tax loss amount	Applicable tax rate	Credit due to tax loss carry-forward		Expiration – date for submission of tax returns fiscal years
2009	16,299	35%	5,705		2014
2010	33,881	35%	11,859		2015
2011	47,687	35%	16,691		2016
2012	88,710	35%	31,049		2017
2013	79,208	35%	27,722	(1)	2018
			93,026		

(1) It corresponds to the tax loss carry-forwards estimated for the fiscal year ended December 31, 2013.

The movement of temporary differences between book carrying amounts and tax basis of assets and liabilities and tax loss carry-forwards is as follows:

	Balance at the beginning of the year	Reduction of tax loss carry-forwards	Tax loss carry-forwards expired in the year	Incorporation of consolidated company	Charge for the year (1)		Balance at the end of the year
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(295,724)			29	42,598		(253,097)
Tax loss carry-forwards	86,110	(216)	(32,421)	4,850	34,703	(2)	93,026
Total 2013	**(209,614)**	**(216)**	**(32,421)**	**4,879**	**77,301**		**(160,071)**
Temporary differences between book carrying amounts and tax basis of assets and liabilities	(315,609)				19,885		(295,724)
Tax loss carry-forwards	74,385	(14,991)	(711)		27,427		86,110
Total 2012	**(241,224)**	**(14,991)**	**(711)**	**-**	**47,312**		**(209,614)**

(1) Charged to income tax – Note 26.
(2) From such amount, 35,567 (gain) are disclosed in net result for the year and 864 (loss) are disclosed in other comprehensive income.

20. REVENUE

	2013	2012
Product sales	10,288,728	8,032,170
Services provided	237,777	251,930
Turnover tax	(283,338)	(198,670)
Sales discounts and volume rebates	(585,378)	(416,169)
Sales returns	(170,976)	(120,390)
Total	**9,486,813**	**7,548,871**

Sales commitments

- The Company has entered into certain term supply agreements through which it procures raw material and provides industrial services to Danone Argentina S.A.
- The Company has agreed to meet export commitments of powdered milk and whey for a total of approximately 6,300 tons with an estimated contract value of US$ 28,500,000.
- Additionally, the Company has entered into agreements with provincial and national public agencies for the sale of approximately 5,600 tons of powdered and fluid milk with an estimated contract value of 267,000.

21. COST OF SALES

	2013	2012
Cost of goods sold:		
Inventories at the beginning of the year		
Resale goods	26,981	20,537
Finished goods	293,177	326,090
Work in progress	186,281	153,468
Raw materials, packaging and other materials	190,525	147,027
Goods in transit	20,618	26,795
	717,582	673,917
Incorporation of consolidated company	293	
Purchases	4,996,959	3,910,157
Production expenses (Note 22)	1,880,824	1,457,359
Write-off of spare parts	681	
Re-measurement of foreign subsidiaries inventories	10,421	2,620
Benefits from industrial promotion	(38,412)	(7,672)
Inventories at the end of the year		
Resale goods	(45,638)	(26,981)
Finished goods	(356,657)	(293,177)
Work in progress	(252,245)	(186,281)
Raw materials, packaging and other materials	(238,228)	(190,525)
Goods in transit	(66,720)	(20,618)
	(959,488)	(717,582)
Subtotal - cost of goods sold	**6,608,860**	**5,318,799**
Cost of services rendered:		
Purchases	29,896	28,232
Production expenses (Note 22)	134,326	110,748
Subtotal - cost of services rendered	**164,222**	**138,980**
Total cost of sales	**6,773,082**	**5,457,779**

Purchase commitments:

- The Company and its subsidiary Mastellone San Luis S.A. ("MSL"), and Danone Argentina S.A. ("DA"), agreed on the terms of the services to be provided by Logística La Serenísima S.A. ("Logística") related to the distribution of dairy and fresh products in Argentina up to October 1, 2040. The price charged by Logística for its services is actual costs plus a 0.1% margin. The agreement provides that if any party (Mastellone Hermanos Sociedad Anónima or MSL) decides to cancel without cause the agreement before the end of the abovementioned term a penalty of US$ 50,000,000 should be paid to Logística. This penalty would not be applicable if termination of the contract is due to non-compliance of Logística with its duties under the agreement. Moreover, the same penalty should be paid by the Company or MSL if one of these companies produces products similar to products currently marketed by Danone.

- In July 2004 Promas S.A. entered into an agreement with Establecimientos Agropecuarios Lar S.A. for the purchase of future olive harvests and the exploitation of 400 hectares in the province of Catamarca.

  On March 12, 2007 the subsidiary company entered into a new agreement with Establecimientos Agropecuarios Lar S.A. extending the productive and financial schedule and the quantity of hectares to 480. This document binds Lar S.A. to deliver 97,800 tons of olives throughout the duration of the contract, which started on the date of signature and will expire with the completion of harvest in 2030. Promas S.A. will receive 100% of olives production.

22. INFORMATION REQUIRED BY ART. 64 OF ARGENTINA CORPORATE LAW N°19,550 – BREAKDOWN OF EXPENSES

	2013				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				30,326	30,326
Fees and compensation for services	196,122	223	411,553	44,683	652,581
Payroll, bonus and social security charges	831,088	77,176	297,523	175,752	1,381,539
Depreciation of property, plant and equipment, and others	100,380	9,391	9,420	4,404	123,595
Amortization of intangible assets	16,171			43	16,214
Provision for bad debts			7,815		7,815
Freights	404,697		1,052,780	10	1,457,487
Maintenance and repair	70,496	6,060	12,661	442	89,659
Office and communication	1,281	112	473	1,573	3,439
Fuel, gas and energy	130,716	15,974	8,544	70	155,304
Vehicles expenses	19,438		8,571	1,426	29,435
Publicity and advertising			227,515		227,515
Taxes, rates and contributions	63,350	10,444	2,264	94,535	170,593
Insurance	25,182	315	8,070	2,080	35,647
Travelling	1,234		2,265	487	3,986
Export and import			26,560	287	26,847
Harvest expenses	2,340				2,340
Supplies and chemicals	1,186				1,186
Miscellaneous	17,143	14,631	10,206	14,085	56,065
Total	**1,880,824**	**134,326**	**2,086,220**	**370,203**	**4,471,573**

	2012				
	Production expenses	Cost of services	Selling expenses	General and administrative expenses	Total
Remuneration to members of the Board of Directors and members of the statutory Audit Committee				22,746	22,746
Fees and compensation for services	145,905	295	353,103	33,674	532,977
Payroll, bonus and social security charges	619,310	60,455	216,978	118,243	1,014,986
Depreciation of property, plant and equipment, and others	85,250	10,391	8,865	3,163	107,669
Amortization of intangible assets	361			361	722
Provision for bad debts			8,319		8,319
Freights	338,045		812,126		1,150,171
Maintenance and repair	59,852	3,543	10,139	208	73,742
Office and communication	950	119	423	1,292	2,784
Fuel, gas and energy	107,950	13,837	8,170	51	130,008
Vehicles expenses	11,287		8,544	1,108	20,939
Publicity and advertising			209,627		209,627
Taxes, rates and contributions	57,498	8,734	1,532	72,693	140,457
Insurance	18,076	391	5,532	1,396	25,395
Travelling	950		2,031	542	3,523
Export and import	4		25,420	231	25,655
Harvest expenses	2,171				2,171
Supplies and chemicals	1,157				1,157
Miscellaneous	8,593	12,983	6,334	9,052	36,962
Total	**1,457,359**	**110,748**	**1,677,143**	**264,760**	**3,510,010**

23. INVESTMENT INCOME

	2013	2012
Interest	19,289	13,294
Public bonds holding results	27,244	
Gain from foreign currency forwards transactions	4,357	
Royalties and licenses		36
Rental income	2,952	2,466
Dividends		732
Total	**53,842**	**16,528**

24. FINANCE COST

	2013	2012
Senior Notes and long-term loans interest (1)	107,457	113,000
Other loans interest	52,063	20,500
Other interests	5,410	11,306
Total	**164,930**	**144,806**

(1) Includes 16,275 and 29,097 for the fiscal years ended December 31, 2013 and 2012, respectively, related to adjustments to present value of debt.

25. OTHER GAINS AND LOSSES

	2013	2012
Gain on sale of trademarks (1)	39,922	
Gain on sale of property, plant and equipment, and others (2)	30,833	7,196
Gain on sale of investments in other companies (3)	25,077	
Gain on acquisition of subsidiary (Note 2.5)	35,194	
Charges to freighters	2,433	2,608
Recovery of private bonds		3,731
(Charge) reversal of provision for litigation and other expenses	(8,672)	2,521
Donations	(1,243)	(1,340)
Depreciation of investment property	(170)	(170)
Miscellaneous	(3,903)	4,127
Total – net gain	**119,471**	**18,673**

(1) Sales performed to Danone Group, including several trademarks of special milks and powdered juice.

(2) Includes as of December 31, 2013, 25,902 corresponding to the sale to Danone Argentina S.A. of a raw milk sorting plant for third parties, together with the equipment, vehicles and software related to such plant.

(3) Corresponds to the gain obtained by the sale of the 0.273% holding of Danone Argentina S.A.´s shares to Dairy Latam S.L.

26. INCOME TAX AND ALTERNATIVE MINIMUM INCOME TAX

	2013	2012
Included in net loss for the year**:**		
Current income tax	(29,834)	(27,016)
Tax loss carry-forwards for the year	35,567	27,427
Net change in temporary differences	42,598	19,885
Subtotal	**48,331**	**20,296**
Valuation allowance on alternative minimum income tax and deferred income tax	(31,577)	(37,025)
Total	**16,754**	**(16,729)**
Included in other comprehensive result**:**		
Current income tax	(864)	(331)
Total	**(864)**	**(331)**

The reconciliation of income tax expense to the amount derived by applying the applicable statutory income tax rate to result before income tax and alternative minimum income tax for the year is as follows:

	2013	2012
Net loss before income tax and alternative minimum income tax	(74,564)	(98,767)
Statutory income tax rate	35%	35%
Income tax at statutory income tax rate	**26,097**	**34,568**
Permanent differences	22,234	(14,272)
Valuation allowance on alternative minimum income tax and deferred income tax	(31,577)	(37,025)
Total	**16,754**	**(16,729)**

27. ADDITIONAL CASH FLOW INFORMATION

27.1 Changes in working capital

	2013	2012
Trade accounts receivable	(117,230)	(77,088)
Other receivables	(13,152)	(24,923)
Tax credits	(57,446)	(1,842)
Inventories	(240,090)	(48,995)
Trade payables	133,503	139,262
Accrued salaries, wages and payroll taxes	91,953	33,115
Taxes payable and accrual for tax relief	1,509	(3,012)
Advances from customers	88,195	11,769
Provisions	(9,058)	(2,583)
Other liabilities	(3,839)	5,071
Total	**(125,655)**	**30,774**

27.2 Non-cash transactions

During the current year, the Company entered into the following non-cash investing activities which are not reflected in the consolidated statement of cash flows:

- A portion of the acquisition cost of the subsidiary Compañia Puntana de Carnes Elaboradas S.A. is outstanding for an amount of 31,318 as of December 31, 2013 (see Note 2.5).

28. PLEDGED AND RESTRICTED ASSETS

a) Certain assets owned by the Company are pledged as collateral for bank and financial liabilities, tax debt (tax régime for promoted activities) and other liabilities for a total amount of 106,900 as of December 31, 2013 (94,123 as of December 31, 2012). Detail of pledged assets is as follows:

	2013	2012
Trade accounts receivable	46,245	67,956
Property, plant and equipment, and others	3,689	4,216
Equity value of holding in subsidiary company Promas S.A.	40,213	20,538
Equity value of holding in subsidiary Compañía Puntana de Carnes Elaboradas S.A.	104,125	

b) The Company also has pre-export credit lines in order to finance exports, which have as collateral, according to each case, a trust set up over the collections obtained from sales to the domestic retail market, inventories (of the parent Company and its subsidiary company Mastellone San Luis S.A.) and the assignment of purchase orders of the subsidiary company Leitesol I.C.S.A. As of December, 31, 2013, inventories were collateralized for an amount of 191,742 (63,305 as of December 31, 2012). The outstanding balance of the debt amounts to 219,944 as of December 31, 2013 and 79,682 as of December 31, 2012.

c) Additionally, as of December 31, 2013 there were other receivables – guarantee deposits (current and non-current) for an amount of 1,052 (706 as of December 31, 2012) in guarantee of financial and commercial transactions and restricted assets disclosed in caption "other receivables – other" (current) for 579 as of December 31, 2013 (224 as of December 31, 2012).

d) There are financial assets – investment funds by 9,554 of restricted availability as of December 31, 2013, to secure transactions to purchase foreign currency forwards.

e) The subsidiary company Con-ser S.A. held certain properties encumbered with privilege of first grade for a net value of 5,664 as of December 31, 2013, in guarantee of the business relationship with YPF S.A. and Oil Combustibles S.A., for an indefinite period while the commercial relationship between the parties is maintained. The guarantee amounts to US$2,400 thousand.

f) See also commitments and collaterals granted by the stockholders for the financial debt described in Note 14.1.1 and 14.1.2.

29. RELATED PARTIES OUTSTANDING BALANCES

Company	Other financial assets (current)		Trade account receivables (current)		Other receivables (current)
	2013	2012	2013	2012	2013
Afianzar S.G.R.			3	1	
Danone Argentina S.A. (1)				102,936	
Fideicomiso Formu			102		
Frigorífico Nueva Generación S.A.			611	401	
José Mastellone				8	
Logística La Serenísima S.A.			61,704	65,379	
Los Toldos S.A.	1,029	1,589	225	125	41
Masleb S.R.L.				21	
TOTAL	**1,029**	**1,589**	**62,645**	**168,871**	**41**

(1) Includes receivables arising from sales of raw milk purchased for and on behalf of Danone Argentina S.A. by 74,133 at December 31, 2012.

Company	Trade payable (current)		Borrowings (current)		Advances from customers (current)
	2013	2012	2013	2012	2013
Afianzar S.G.R.	12	6			
Danone Argentina S.A.		22,459			
Fideicomiso Formu			41,387	28,063	
Juan Rocca S.R.L.			1,855	1,317	
Logística La Serenísima S.A.	80,892	66,047			6
Los Toldos S.A.		239			
Masleb S.R.L.		129			
TOTAL	**80,904**	**88,880**	**43,242**	**29,380**	**6**

30. RELATED PARTIES OPERATIONS

Transactions with related parties for the fiscal years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Revenues		
Afianzar S.G.R.	6	5
Danone Argentina S.A.	182,355	239,578
Fideicomiso Formu	857	616
Frigorífico Nueva Generación S.A.	69	418
José Mastellone		8
Logística La Serenísima S.A.	14,006	20,357
Los Toldos S.A.	435	528
Purchase of goods and services		
Afianzar S.G.R.	123	93
Danone Argentina S.A.	35,937	80,287
Frigorifico Nueva Generación S.A.	181	
Logística La Serenísima S.A.	555,126	400,208
Los Toldos S.A.	3,955	3,581
Masleb S.R.L.	457	1,528
Investment income		
Danone Argentina S.A.	890	
Frigorífico Nueva Generación S.A.	1	13
Los Toldos S.A.	72	89
Finance cost		
Fideicomiso Formu	8,909	4,749
Juan Rocca S.R.L.	45	37
Other gain and losses		
Danone Argentina S.A. and related parties – sale of trademarks	39,922	
Danone Argentina S.A. – sale of property, plant and equipment	50,550	
Danone Argentina S.A. – dividends earned		732
Purchase of property, plant and equipment, and others		
Logística La Serenísima S.A.		2,159

During the fiscal years ended December 31, 2013 and 2012, the Company paid a total of 81,529 and 62,792, respectively, in concept of remuneration and fees to members of the Board of Directors and executive officers. The Company does not provide its Directors or executive officers with any type of pension, retirement or similar benefits.

Sales to related parties were made at the usual list prices of the Company. Purchases of goods and services were conducted at market prices.

The outstanding receivable and payable amounts are unsecured and will be settled in cash. No guarantees have been given or received, except for the guarantees described in Note 28. It has not been recognized any expense in the current year or in prior years regarding bad or doubtful accounts related to amounts owed by related parties.

31. FINANCIAL INSTRUMENTS

31.1 – Capital management

The Company manages its capital in order to maximize its shareholders' return, by optimization of debt and equity balances according to its business plan. For that end, it takes part - directly or through its subsidiaries - in operations that involve financial instruments, which can give rise to several risks.

The Company is not subject to any requirement of capital settled externally.

Capital structure and debt ratio

	2013	2012
Debt (1)	1,409,652	1,114,956
Cash and cash equivalent	115,288	66,071
Net debt	1,294,364	1,048,885
Equity	653,652	691,407
Indebtness ratio	1.98	1.52

(1) Debt is defined as current and non-current borrowings, as detailed in Note 14.

31.2 – Financial instruments categories

Financial instruments were classified according to IFRS 7 in the following categories:

	2013	2012
Financial assets		
Cash and banks and short-term investments	83,488	62,407
At fair value with changes to profit and loss		
Investment funds	41,354	3,664
Public bonds		12,351
Held to maturity investments		
Private bonds	7,506	7,538
Loans and receivables		
Other financial assets	10,366	8,200
Trade accounts receivable	796,551	698,372
Tax credits	118,182	60,311
Other receivables	65,103	57,233
	1,122,550	**910,076**

	2013	2012
Financial liabilities		
Amortized cost:		
Trade payables	951,709	817,931
Borrowings	1,409,652	1,114,956
Other liabilities	570,538	337,992
	2,931,899	**2,270,879**

31.3 – Risk management

The Company and its subsidiary companies are exposed to several risks derived from the ordinary course of business, from the debt taken in order to finance such operations and from the nature of the financial instruments that the Company has, Among the major risks that the Company is exposed to are foreign exchange risk, interest rate risk, credit risk and liquidity risk.

It is not a practice of the Company and its subsidiaries to trade financial instruments for speculative purposes. As of December 31, 2013 and, 2012 there were no outstanding derivative financial contracts.

31.4 – Management of foreign exchange risk

The Company has assets and liabilities and performs transactions in foreign currency, consequently exposures to exchange rate fluctuations are generated.

Balances of assets and liabilities denominated in foreign currency, considering as such currencies that are different from the functional currency of each company, are the following:

	2013	2012
Assets		
United States Dollar	56,728	58,071
Euro	176	924
Guarani	2,110	1,538
Brazilian Reais	100,287	48,696
Liabilities		
United States Dollar	1,479,890	1,145,173
Euro	2,059	2,875
Guarani	773	177
Brazilian Reais	67,181	12,707
Net currency exposure	(1,390,602)	(1,051,703)

Foreign currency sensitivity analysis

Considering the definition of functional currency for each company, the Company made transactions with foreign currency mainly in United States Dollar, and, to a lesser extent in Euro, Brazilian Reais and Guarani.

The impact of each 1% increase in the exchange rate of foreign currency in Argentina Pesos is as follows:

	Loss	
	2013	2012
Impact for each 1% increase in the exchange rate of foreign currency in thousands of Argentine pesos	(13,906)	(10,517)

The Company estimates that the risk emerging from this exposure to devaluation is mitigated by the fact that, directly or through subsidiaries, there are sales denominated in foreign currencies (principally exports from Argentina and sales made in the Brazilian domestic market through the subsidiary Leitesol) which are summarized below for each of the year indicated:

	Fiscal year 2013	Fiscal year 2012
Exports and foreign sales (consolidated amounts)	1,242,221	893,627

The Company understands that, for the reasons above outlined, it has a natural (although imperfect) coverage for the devaluation risk. Notwithstanding that, the Company, through the relevant areas, performs a permanent evaluation of these risks, in order to minimize it using the available alternatives.

31.5 – Management of the interest rates risk

The Company performs borrowings transactions for both fixed and variable interest rates. The outstanding debt bearing variable interest rate as of December 31, 2013 amounted to 198,345 (contractual amounts), corresponding to tranche A of its loan debt and to the Senior Notes Series D, in both cases, maturing in 2015. Both loans bear a floating interest rate based on LIBO plus a spread, provided that total rate shall not exceed 6% per annum (for the second semester of 2013 rate determined was 3.92% annual). Consequently, the highest impact that the Company could suffer in case of interest rate increases applicable to this debt would be of 2.08%, or approximately 4,126.

At year-end, the Company´s net exposure to interest rates over financial assets and liabilities is the following:

	Net financial assets (liabilities)	
Features	**2013**	**2012**
Non-interest bear	(435,216)	(261,194)
Fixed-rate financial instruments	(1,203,272)	(940,484)
Variable-rate financial instruments	(170,861)	(159,125)
	(1,809,349)	**(1,360,803)**

31.6 – Management of the credit risks

Credit risk refers to risk arising from the possibility that a part fails to comply with its contractual obligations resulting in a loss to the Company or its subsidiaries. The greatest risk arises from trade accounts receivable. The Company considers that this risk is significantly limited by several factors:

- sales in the domestic markets of Argentina and Brazil are highly diversified to a large number of customers in different locations. At the same time, due to the nature of the products, sales operations are conducted on an ongoing basis, making it easier to track the status of the client. For larger customers, there is individual monitoring. In the fiscal years 2013 and 2012, no single customer sales represented more than 10% of total revenues of each year. Receivables from customers in receivership and in bankruptcy have been reclassified to other receivables and adequately provisioned.

- Exports to third parties take place almost exclusively through letters of credit confirmed locally.

Trade accounts receivable and other receivables are exposed to their nominal values less the related provisions for doubtful accounts, regardless of the guarantees covering certain accounts receivable. These balances do not differ significantly from their fair values.

31.7 – Management of liquidity risk

The Board of Directors has the final responsibility on managing liquidity risk, having established a suitable framework in order for the Company´s management to be able to handle requirements of financing for short, medium and long term and liquidity requirements. The Company manages liquidity risk by maintaining reserves and appropriate level of financial borrowings, and continuously monitoring future and real cash flows, and reconciling the maturity profile of financial assets and liabilities.

The following table details the due date of the Company´s financial liabilities as from each year end. The amounts presented are the contractual cash flows without discount.

	2013	2012
Less than three months	1,473,738	1,098,422
Between three months and a year	422,174	253,597
Between one and five year	1,096,213	700,397
More than five years	3,233	298,138
	2,995,358	**2,350,554**

The following table details the expected cash flows as from each year-end.

	2013	2012
Less than three months	929,993	805,929
Between three months and a year	107,236	41,914
Between one and five years	74,067	47,921
More than five years	11,254	14,312
	1,122,550	**910,076**

31.8 – Fair value measurements

31.8.1 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets are measured at fair value at the end of each year. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	2013	2012		
Cash and cash equivalent – Investment funds	31,800	3,644	Level 1	Quoted bid prices in an active market.
Other financial assets – Restricted investment funds	9,554		Level 1	Quoted bid prices in an active market.
Other financial assets - Public bonds		12,351	Level 1	Quoted bid prices in an active market.

31.8.2 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for the following, the Board of Directors considers that outstanding balances of financial assets and liabilities included in the financial statements represent their approximate fair value at the end of each year.

	2013		**2012**	
	Book value	**Fair value** (1)	**Book value**	**Fair value** (1)
Senior Notes due 2018	789,674	750,697	611,887	481,937

(1) Fair value hierarchy: Level 1.

32. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports regarding components of the Company that are regularly reviewed by the Board of Directors in order to allocate resources to the segments and to assess their performance.

The accounting policies used for the preparation of the information for the segments that are reported are the same that the Company's accounting policies described in Notes 2 and 3.

The Company’s reportable segments under IFRS 8 are as follows:

- **Dairy products:** Includes the sales of products manufactured with the raw milk purchased by the Company directly to dairy farmers located in Argentina and, to a lower extent, to other dairy companies. Such sales are made in the Argentine domestic market (mainly retailers and public agencies), in the Brazilian domestic market (retailers) and the international markets (exports to third parties).

- **Olive products:** includes the sale (mostly in the international markets) of olive oil processed from the harvest of olive trees of the subsidiary Promas S.A., as well as production purchased to third parties, Such sales are made mainly in the international markets.

- **Other:** Includes principally services related to the transportation of raw milk and other associated to the coordination of such transport (purchases and sales of trucks, spare parts, etc.).

Information	2013			
	Dairy	Olive	Other	Total
Revenue from external customers	9,039,455	33,014	414,344	9,486,813
Intersegment revenue	1,414	8,650	374,958	385,022
Net loss for the year	(32,518)	(19,360)	(5,932)	(57,810)
Assets allocated to the business lines	3,485,168	91,400	158,490	3,735,058
Liabilities allocated to the business lines	2,975,203	11,359	94,826	3,081,388
Additions to property, plant and equipment, and others	190,525	1,137	8,286	199,948
Depreciation of property, plant and equipment, and others	115,167	3,188	5,240	123,595
Additions to intangible assets	680			680
Amortization of intangible assets	16,214			16,214
Depreciation of investment property	170			170
Net domestic revenue	7,797,234	33,014	414,344	8,244,592

	2012			
	Dairy	Olive	Other	Total
Revenue from external customers	7,200,310	1,571	346,990	7,548,871
Intersegment revenue	1,534	3,245	317,258	322,037
Net loss for the year	(98,181)	(16,039)	(1,276)	(115,496)
Assets allocated to the business lines	2,925,909	94,038	152,438	3,172,385
Liabilities allocated to the business lines	2,369,705	11,202	100,061	2,480,968
Additions to property, plant and equipment, and others	191,961	106	10,852	202,919
Depreciation of property, plant and equipment, and others	99,999	3,288	4,382	107,669
Amortization of intangible assets	722			722
Depreciation of investment property	170			170
Net domestic revenue	6,306,683	1,571	346,990	6,655,244

Additionally, the Board of Directors reviews the information based on the following geographical segments:

Year	Revenue		
	Domestic market	Exports	Total
2013	8,244,592	1,242,221	9,486,813
2012	6,655,244	893,627	7,548,871

33. SUBSEQUENTS EVENTS

In January 2014, the exchange rate of the United States dollar (US$) related to the Argentine Peso in the free exchange market (also called “official market”) increased approximately 23%, changing from $6,521 to a value of approximately $8, since January 24, 2014 and remaining in that order until March 6, 2014.

Such increase in the exchange rate of the US$ has an impact (loss) of approximately 290 million of pesos in the fiscal year 2014, based on the outstanding balances as of December 31, 2013.

34. APPROVAL OF THESE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized to be issued on March 7, 2014.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mastellone Hermanos Sociedad Anónima
Juana Manso N° 555 – 3rd Floor – Suite "A"
City of Buenos Aires

1, We have audited the consolidated financial statements of Mastellone Hermanos Sociedad Anónima (also referred to as "Mastellone Hermanos Sociedad Anónima" or the "Company") and its consolidated subsidiaries (subsidiaries detailed in Note 2.5 to the consolidated financial statements) which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows, with their Notes 1 to 34 (a summary of significant accounting policies is disclosed in Notes 2 and 3) for the fiscal year ended December 31, 2013.

The figures and other information for the fiscal year ended December 31, 2012 are an integral part of these consolidated financial statements and are intended to be read only in relation to those financial statements.

The Company´s Board of Directors is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with International Financial Reporting Statements ("IFRS") adopted by the Argentine Federation of Professional Councils in Economic Sciences as accounting standards, as they were approved by the International Accounting Standard Board (IASB), and incorporated by the National Securities Commission to its regulations. Moreover, the Board of Directors is responsible for the existence of an internal control system that is considered necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Our responsibility is to express an opinion on these consolidated financial statements based on the audit carried out pursuant to the scope of work outlined in section 2.

2. Our audit was carried out in accordance with Technical Resolution N° 7 issued by the Argentine Federation of Professional Councils in Economic Sciences. Those standards require that auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures, mainly on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the

Company's Board of Directors and Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. In our opinion, the consolidated financial statements as of December 31, 2013 referred to in the first paragraph of section 1, present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal year then ended, in accordance with International Financial Reporting Standards.

4. As a part of our work, the scope of which is described in section 2, we have reviewed the Consolidated Informative Summary required by the National Securities Commission and prepared by the Company´s Board of Directors on which, in what is subject of our competence, we have no observations to report.

5. This report and the consolidated financial statements referred to in section 1, have been translated into English for the convenience of English-speaking readers. The accompanying consolidated financial statements are the English translation of those originally issued by Mastellone Hermanos Sociedad Anónima in Spanish and presented in accordance with IFRS.

City of Buenos Aires, Argentina.
March 7, 2014

DELOITTE S.C.

José E. Lema (Partner)